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2377

No. 9413

United States

Circuit Court of Appeals

For the Ninth Circuit.

COMMISSIONER OF INTERNAL REVENUE,
Petitioner,

vs.

CHARLES LAUGHTON,
Respondent.

Transcript of the Record

In Two Volumes

VOLUME I

Pages 1 to 237

Upon Petition to Review a Decision of the United States Board of Tax Appeals.

FILED
FEB 15 1940
PAUL P. O'BRIEN,
CLERK

PARKER PRINTING COMPANY, 545 SANSOME STREET, SAN FRANCISCO 60-2-5-40


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PARKER PRINTING COMPANY, 545 SANSOME STREET, SAN FRANCISCO 60-3-9-40

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APPEARANCES

For Taxpayer:
HERSCHEL B. GREEN, Esq.,
LOYD WRIGHT, Esq.,

For Comm'r.:
D. M. EVANS, Esq.,
A. C. BAIRD, Esq.,

Docket No. 88104

CHARLES LAUGHTON,

Petitioner,

vs.

COMMISSIONER OF INTERNAL REVENUE,

Respondent.

DOCKET ENTRIES

1937

Feb. 12—Petition received and filed. Taxpayer notified. (Fee paid)

" 13—Copy of petition served on General Counsel.

Mar. 26—Amended petition filed by taxpayer. 3/27/37 copy served.

Apr. 5—Answer to amended petition filed by General Counsel.

" 8—Copy of answer served on taxpayer.

Jul. 20—Hearing set week beginning Sept. 27, 1937 at Los Angeles, Calif.

1937

Sep. 27—Hearing had before Mr. Mellott, Div. 11. Motion of petitioner to continue granted. Proceeding continued.

" 27—Order of continuance to next Circuit Calendar at Los Angeles, California entered.

1938

Apr. 6—Hearing set June 13, 1938, at Los Angeles, Calif.

Jun. 27—Hearing had before Mr. Arnold, Div. 12 on the merits. Submitted. Stipulation of facts filed at hearing. Petitioner's brief due July 27, 1938—respondent's due August 26, 1938—reply due September 10, 1938.

Jul. 11—Transcript of hearing of June 27, 1938 filed.

" 25—Brief filed by taxpayer. 7/25/38 copy served.

Aug. 26—Brief filed by General Counsel.

Sep. 7—Reply brief filed by taxpayer. 9/7/38 copy served.

1939

Jun. 15—Findings of fact and opinion promulgated, Wm. W. Arnold, Div. 12. Decision will be entered under Rule 50.

Aug. 3—Computation of deficiency filed by General Counsel.

" 7—Hearing set Sept. 13, 1939 on settlement.

Sep. 6—Consent to settlement filed by taxpayer.

1939

Sep. 11—Decision entered, William W. Arnold, Div. 12.

Nov. 17—Stipulation of venue filed.

" 28—Petition for review by U. S. Circuit Court of Appeals (9) with assignments of error filed by General Counsel.

Dec. 7—Proof of service filed by General Counsel. (2) Attorney & taxpayer.

" 21—Agreed statement of evidence lodged.

" 21—Agreed praecipe filed by General Counsel. Proof of service thereon.

" 22—Agreed statement of evidence approved and ordered filed.

" 26—Certified copy of order from the 9th Circuit that Exhibits B & C attached to the stipulation of facts, which exhibits are to be specified in the designation of contents of record, need not be printed in the record and the Clerk of the U.S. Board of Tax Appeals be directed to transmit the original of said exhibits to the Clerk of the Circuit Court to be produced at the hearing filed.

" 27—Statement of points filed by General Counsel. Proof of service thereon. [1*]

*Page numbering appearing at foot of page of original certified Transcript of Record.

United States Board of Tax Appeals

Docket No. 88104

CHARLES LAUGHTON,

Petitioner,

vs.

COMMISSIONER OF INTERNAL REVENUE,

Respondent.

AMENDED PETITION

The above-named petitioner hereby petitions for a redetermination of the deficiency set forth by the Commissioner of Internal Revenue in his notice of deficiency (Bureau symbols IT:C:4-JHL-90D) dated November 28, 1936 and as a basis of his proceeding alleges as follows:

1. The petitioner is a non-resident alien with address care of Myron Selznick & Company, Inc. at 9460 Wilshire Boulevard, Beverly Hills, California.

2. The notice of deficiency, a copy of which is attached and marked "Exhibit A" was mailed to the petitioner on November 28, 1936.

3. The taxes in controversy are income taxes for the calendar years 1934 and 1935 and for $23,160.03 and $81,270.84 respectively. [2]

4. The determination of tax set forth in the notice of deficiency is based upon the following errors:

(a) The respondent erred in determining that the amounts received by Motion Picture

& Theatrical Industries, Ltd. in 1934 and 1935, as consideration for the services of Charles Laughton rendered to Metro-Goldwyn-Mayer Corporation, Twentieth Century Pictures, Inc. and Paramount Productions, Inc., constituted income taxable to Charles Laughton.

(b) The respondent erred in determining that the gross income of Charles Laughton, from sources within the United States for 1934, was in excess of $32,811.66.

(c) The respondent erred in determining that the gross income of Charles Laughton, from sources within the United States for 1935, was in excess of $22,419.09.

(d) The respondent erred in disallowing deductions for expenses paid by petitioner in 1934 amounting to $1,259.47.

(e) The respondent erred in disallowing deductions for expenses paid by petitioner in 1935 amounting to $1,473.32.

(f) The respondent erred in failing to allow deductions for 1934 in respect of the following expenses:

Agents' commissions	$8,433.32
Legal fees and expenses	5,271.83
Accountant's fees	225.00
Advertising	336.70
Miscellaneous expense	.22

(g) The respondent erred in failing to allow deductions for 1935 in respect of the fol-

lowing expenses:

Agents' commissions	$19,921.23
Legal fees and expenses	3,403.32
Accountant's fees	40.00
Advertising	777.50
Miscellaneous expense	51.09

(h) The respondent erred in failing to allow a credit of $1,000 for personal exemption for 1935. [3]

5. The facts upon which the petitioner relies as the basis of this proceeding are as follows:

(a) Petitioner is a subject of Great Britain and maintains his residence in that country.

(b) Petitioner is a motion picture actor of some prominence in both Great Britain and the United States, taking part in pictures produced in each of these countries from time to time.

(c) Under date of May 4, 1934 petitioner entered into a contract with Motion Picture & Theatrical Industries, Ltd., an English corporation, under the terms of which Motion Picture & Theatrical Industries, Ltd. was to have exclusive rights to his services for a period of five years at a stipulated weekly salary, with the right to sublicense and loan his services to others.

(d) After May 4, 1934 Motion Picture & Theatrical Industries, Ltd. entered into agreements with producing companies for petitioner's services and collected the agreed remuneration under these agreements.

(e) Petitioner was paid his alleged salary by Motion Picture & Theatrical Industries, Ltd. from May 4, 1934 to December 31, 1934 and throughout the year 1935.

(f) The income paid to Motion Picture & Theatrical Industries, Ltd. by the producing companies was reported as taxable income by that corporation and Federal income tax paid thereon.

(g) During 1934 and 1935 the petitioner incurred expenses in connection with the earning of his income as follows:

	1934	1935
Automobile	$ 677.06	$ 778.99
Gratuities	200.00	
Wardrobe	186.71	399.59
Telephone and telegrams	59.05	294.74
Music	71.25	
Books and periodicals	130.80	
Totals	$1,324.87	$1,473.32

[4]

The respondent has disallowed certain of these expenses aggregating $1,259.47 for 1934 and all of these expenses for 1935.

(h) During the years 1934 and 1935 Motion Picture & Theatrical Industries, Ltd. paid expenses as listed below which would have required to have been paid by petitioner if he had contracted directly with the producing companies:

	1934	1935
Agents' commissions	$8,433.32	$19,921.23
Legal fees and expenses	5,271.83	3,403.32
Accountant's fees	225.00	40.00
Advertising and publicity	335.70	777.50
Miscellaneous	.22	51.09

Wherefore, the petitioner prays that this Board may hear the proceedings and determine:

(a) That there is no deficiency for 1934 or 1935

(b) Such other and further relief as this Board may deem proper.

HERSCHEL B. GREEN
LOYD WRIGHT and
HERSCHEL B. GREEN
Attorneys for Petitioner
111 West Seventh Street
Los Angeles, California
L. G. SUTHERLAND
Agent for Petitioner
American Security Building
Washington, D. C.

Washington, D. C.
March 23, 1937 [5]

State of California
County of Los Angeles—ss.

Loyd Wright, being duly sworn, deposes and says that he is a duly appointed attorney in fact for Charles Laughton, the petitioner named in the

foregoing petition; that Charles Laughton is absent from the United States; that he is duly authorized under the power of attorney, which has not been revoked and copy of which is attached, to verify the foregoing petition; that he has read the petition and is familiar with the statements contained therein and believes the facts stated therein to be true; that his knowledge of the facts alleged in the foregoing petition is grounded on: (1) information in his possession, (2) conversations with the petitioner, (3) information furnished by Myron Selznick & Company, Inc., and (4) information furnished by an officer and director of Motion Picture & Theatrical Industries, Ltd.

LOYD WRIGHT

Subscribed and sworn to before me this 23rd day of March 1937.

[Seal] ANITA GARRETT

Notary Public in and for the County of Los Angeles, State of California. [6]

POWER OF ATTORNEY

Be It Known:

That I, Charles Laughton, from time to time temporarily residing in the County of Los Angeles, State of California, have made, constituted and appointed, and by these presents Do Make, Constitute and Appoint, Loyd Wright, of Los Angeles,

California, or alternatively any partner of his (present or future) being a counsellor-at-law, My True and Lawful Attorney for me and in my name and on my behalf, to act, demand, recover and receive all sums of money, debts, dues, accounts, interest, dividends, annuities and demands whatsoever, as are now or shall hereafter become due, owing, payable or belonging to me, and have, use and take all lawful ways and means in my name or otherwise for the recovery thereof, by attachments, arrests, distress or otherwise, and to compromise and agree for the same, and acquittances and other sufficient discharges for the same, for me and in my name, to make seal and deliver and to make out, agree or agree to alterations in or compromises of accounts, invoices, returns, statements and other documents and instruments on my behalf or concerning me or my affairs.

Also, to make, do and transact all and every kind of business of what nature or kind soever and to undertake on my behalf the performance of service obligations or the variation or cancellation thereof, and to bargain and agree for, buy, sell, mortgage, hypothecate and in any and every way and manner deal in and with goods, wares and merchandise, choses-in-action and other property in possession or in action, and also for me and in my name, and as my act and deed, to sign, seal, execute, deliver and acknowledge such deeds, leases and assignments

of leases, covenants, indentures, agreements, mortgages, hypothecations, bills of lading, bills, bonds, notes, receipts, evidences of debts, releases and satisfaction of mortgages, judgments and other debts, and such other instruments in writing of whatsoever kind and nature, as may be necessary or proper in the premises, specifically granting, authorizing and empowering and directing the said Loyd Wright, or in substitution any partner of his as aforesaid, to sign any and all checks in my name, for me and in my behalf, and any bank or trust company is hereby authorized, directed and instructed to cash said checks in the same manner as if I myself had executed the same. I Hereby Confirm and Approve anything that the said Loyd Wright and/or any of his said partners may do in said respect on my behalf. [7]

Giving and Granting unto my said attorney Loyd Wright, and/or any partner of his, as aforesaid, Full Power and Authority to do and perform all and every act and thing whatsoever requisite and necessary to be done in and about the premises, as fully to all intents and purposes as I might or could do if personally present, with full power of substitution and revocation, hereby ratifying and confirming all that my said attorney, Loyd Wright, or any partners of his as aforesaid, shall lawfully do or cause to be done by virtue of these presents.

Witness my hand and seal at London, England, this 12th day of March, 1936.

CHARLES LAUGHTON

Signed, Sealed and Delivered
by above named Charles Laughton,
in the presence of:

F. M. GUEDALLA
7 Park Crescent,
Portland Place, London, Solicitor.

N. W. LAWRENCE,
Not. Pub., London, England.

NOTARY PUBLIC'S CERTIFICATE

To All To Whom These Presents Shall Come: I, Nicasio Robert Jauralde of the City of London, Notary Public duly admitted and sworn, Do Hereby Certify, that on this twelfth day of March in the year one thousand nine hundred and thirty-six before me personally came Charles Laughton, to me known and known to me to be the constituent named in and who executed the foregoing Power of Attorney, and he acknowledged to me that he executed the same as his free and voluntary act and deed for the uses and purposes therein set forth.

In Faith and Testimony whereof I have hereunto set my Hand and Seal of Office at London this twelfth day of March in the year of our Lord one thousand nine hundred and thirty-six.

[Seal] N. R. JAURALDE
Not. Pub. [8]

Great Britain & Northern Ireland
London, England
Consulate General of the
United States of America—ss.

I, Philip Adams, Consul of the United States of America, residing at London, England, do hereby make known and certify to all whom it may concern, that Nicasio Robert Jauralde, who hath signed the annexed Certificate, is a Notary Public duly admitted and sworn and practising in London, England, and that to all acts by him so done, full faith and credit are and ought to be given in Iudicature and thereout.

In Testimony Whereof, I have hereunto set my hand and affixed my seal of Official London aforesaid, this Thirteenth day of March in the year of our Lord One Thousand Nine Hundred and Thirty-six.

Service No. 2540
Fee $2—8/4

[Seal] PHILIP ADAMS
Consul of the United States of America at London, England. [9]

EXHIBIT A

Treasury Department
Washington
Nov. 28 1936

Office of
Commissioner of Internal Revenue

Mr. Charles Laughton,
c/o Frank Joyce-Myron Selznick, Ltd.,
9460 Wilshire,
Beverly Hills, California.

Sir:

You are advised that the determination of your income tax liability for the taxable years 1934 and 1935 discloses a deficiency of $104,430.87 as shown in the statement attached.

In accordance with section 272(a) of the Revenue Act of 1934, notice is hereby given of the deficiency mentioned. Within ninety days (not counting Sunday or a legal holiday in the District of Columbia as the ninetieth day) from the date of the mailing of this letter, you may file a petition with the United States Board of Tax Appeals for a redetermination of the deficiency.

Should you not desire to file a petition, you are requested to execute the enclosed form and forward it to the Commissioner of Internal Revenue, Washington, D. C., for the attention of IT:C1:P:7. The signing and filing of this form will expedite the closing of your returns by permitting an early

assessment of the deficiency and will prevent the accumulation of interest, since the interest period terminates thirty days after filing the form, or on the date assessment is made, whichever is earlier.

Respectfully,
GUY T. HELVERING,
Commissioner.
By CHAS. T. RUSSELL (Signed)
Deputy Commissioner.

Enclosures:
Statement
Form 870 [10]

STATEMENT

IT:C:4
JHL-90D

In re: Charles Laughton,
c/o Frank Joyce-Myron Selznick, Ltd.,
9460 Wilshire,
Beverly Hills, California.

INCOME TAX LIABILITY

Years	Income Tax Liability	Income Tax assessed	Deficiency
1934	$25,841.87	$2,681.84	$23,160.03
1935	82,244.45	973.61	81,270.84

The report of the internal revenue agent in charge at Los Angeles, California, a copy of which was furnished you, is approved.

1934

Net income shown by return	$30,349.12
Add:	
1. Additional salary	61,781.14
Net income adjusted	$92,130.26
Less: Personal exemption	1,000.00
Balance subject to surtax	$91,130.26
Less:	
Earned income credit	1,400.00
Balance subject to normal tax	$89,730.26
Normal tax at 4%	$ 3,589.21
Surtax on $91,130.26	23,565.13
Total tax	$27,154.34
Less:	
Income tax paid at source	1,312.47
Total tax assessable	$25,841.87
Income tax assessed:	
Original account No. 800665	2,681.84
Deficiency in income tax	$23,160.03

[11]

Earned income credit:	
Salaries	$92,162.08
Earned net income limited to not less than $3,000.00 taxable net income and not over $14,000.00	$14,000.00
Credit—10% of earned net income of $14,000.00	$ 1,400.00

Explanation of Change

1. Gross salary actually earned:	
Metro-Goldwyn-Mayer Studios	$45,333.33
Paramount Studios	48,000.00
Total	$93,333.33

Less:	
Expense deductions	1,171.25
Net salary	$92,162.08
Net salary reported	30,380.94
Additional salary	$61,781.14

The salaries from the studios are considered as income earned for services performed during the year, which cannot be assigned, Court Decision 675, Cumulative Bulletin XII-1, page 207. From the expense deduction claimed in the amount of $2,430.72, there has been disallowed the following:

(a) Auto expense	$ 677.06
(b) Wardrobe	186.71
(c) Books and periodicals	65.40
(d) Telephone and telegraph	59.05
(e) Music	71.25
(f) Gratuities	200.00
Total	$1,259.47

(a) The deduction claimed for automobile expense is disallowed for the reason that it is not supported by sufficient detail to permit a determination of whether the automobile was for personal use, or a necessary expense incident to the earning of the salaries. Article 23(a) Regulations 86. [12]

(b) The deduction claimed for wardrobe is disallowed for the reason that there are no details submitted showing that this constituted a necessary business expense. Article 23(a) Regulations 86.

(c) The deduction claimed for books and periodicals is disallowed to the extent of 50% of the amount claimed, representing a personal expense. Article 23(a), Regulations 86.

(d) Deduction for telephone is disallowed for the reason that such expense, other than personal, was paid by the agent or business manager. Article 23(a) Regulations 86.

(e) The deduction for music has been disallowed as a personal expense. Article 23(a) Regulations 86.

(f) Gratuities to stage hands are held to be personal expenses and disallowed. See decision in case of Reginald Denny, Vol. 33, United States Board of Tax Appeals, page 738.

1935

Net income reported	$ 19,797.40
Add:	
1. Additional salary	171,482.82
Net income adjusted	$191,280.22
Less:	
Personal exemption	583.34
Balance subject to surtax	$190,696.88
Less:	
Earned income credit	1,400.00
Balance subject to normal tax	$189,296.88
Normal tax at 4%	$ 7,571.88
Surtax on $190,696.88	75,569.35
Total	$ 83,141.23

Income tax paid at source	896.78
Total tax assessable	$ 82,244.45
Previously assessed, August 1935, No. 234	973.61
Deficiency in income tax	$ 81,270.84

[13]

Earned income credit:

Salaries	$191,486.22
Earned net income limited to not less than $3,000.00 taxable net income and not over $14,000.00	$ 14,000.00
Credit—10% of earned net income of $14,000.00	$ 1,400.00

Explanation of Change

1. See explanation No. 1 for 1934.
 Gross salary actually earned:

Metro-Goldwyn-Mayer Studios	$118,428.59
Paramount Studios	9,000.00
Twentieth Century Pictures, Inc.	65,000.00
Total	$192,428.59
Less:	
Expense deduction	942.37
Net salary	$191,486.22
Net salary reported	20,003.40
Additional salary	$171,482.82

The following expense deductions were disallowed:

(a) Auto expense	$ 778.99
(b) Telephone and telegraph	294.74
(c) Wardrobe	399.59
Total	$1,473.32

Explanation of Changes

(a) See Explanation (a) 1934
(b) See Explanation (d) 1934
(c) See Explanation (b) 1934

[Endorsed]: U.S.B.T.A. Filed March 26, 1937.

[14]

[Title of Board and Cause.]

ANSWER TO AMENDED PETITION

Now comes the Commissioner of Internal Revenue, by his attorney, Morrison Shafroth, Chief Counsel, Bureau of Internal Revenue, and for answer to the amended petition filed by the above-named petitioner, admits and denies as follows:

1. Admits the allegations contained in paragraph 1 of the amended petition.

2. Admits the allegations contained in paragraph 2 of the amended petition.

3. Admits the allegations contained in paragraph 3 of the amended petition.

4(a) to (h), inclusive. Denies that the Commissioner's determination is erroneous as alleged in subparagraphs (a) to (h), inclusive, of paragraph 4 of the amended petition.

5(a) and (b). Admits the allegations contained in subparagraphs (a) and (b) of paragraph 5 of the amended petition.

(c) to (f), inclusive. Denies the allegations contained in subparagraphs (c) to (f), inclusive, of paragraph 5 of the amended petition.

(g) Admits that respondent has disallowed certain claimed expenses aggregating $1,259.47 for the year 1934 and $1,473.32 for the year 1935; [15] denies the remaining allegations of fact contained in subparagraph (g) of paragraph 5 of the amended petition.

(h) Denies the allegations contained in subparagraph (h) of paragraph 5 of the amended petition.

6. Denies, generally and specifically, each and every allegation of the amended petition not hereinbefore admitted, qualified, or denied.

Wherefore, it is prayed that the appeal be denied.

(Signed) MORRISON SHAFROTH
Chief Counsel,
Bureau of Internal Revenue.

Of Counsel:
CHESTER A. GWINN,
CHARLES E. LOWERY,
Special Attorneys,
Bureau of Internal Revenue.

[Endorsed]: U.S.B.T.A. Filed Apr. 5, 1937. [16]

[Title of Board and Cause.]

Docket No. 88104. Promulgated June 15, 1939.

FINDINGS OF FACT AND OPINION

An English corporation organized to carry on motion picture, theatrical, and related businesses, the beneficial ownership of its stock being in the petitioner, a nonresident alien, contracted with petitioner for his exclusive services as an actor for a period of five years at a fixed weekly stipend. By virtue of loan contracts with Hollywood studios the

corporation realized substantial earnings during the taxable years 1934 and 1935 on its exclusive service contract with petitioner. Held, the amounts paid the corporation as consideration for the services of the petitioner under the loan agreements do not constitute taxable income to the petitioner.

JOHN B. MILLIKEN, Esq.,
HERSCHEL B. GREEN, Esq.,
and HARRIET GEARY, Esq.,
for the petitioner.
ALVA C. BAIRD, Esq.,
for the respondent.

This proceeding involves income tax deficiencies for the years 1934 and 1935 in the amount of $23,160.03 and $81,270.84, respectively. The principal issue is whether respondent erred in determining that the amounts received by Motion Picture & Theatrical Industries, Ltd., in 1934 and 1935, as consideration for the services of Charles Laughton rendered to Metro-Goldwyn-Mayer Corporation, Twentieth Century Pictures, Inc., and Paramount Productions, Inc., constituted income taxable to the petitioner. Certain alternative issues were raised by the pleadings, which need not be set forth in view of our decision on the principal issue.

FINDINGS OF FACT.

The petitioner, Charles Laughton, is a motion picture actor well known in both Great Britain and the United States. At all times pertinent to this

proceeding he was a subject of Great Britain and a resident of and domiciled in England.

On May 4, 1932, the petitioner executed a five-year contract with Frank Joyce-Myron Selznick, Ltd., which authorized them to act as his manager and personal representative. During 1932, the peti-
[17] tioner came to the United States and was engaged in making four pictures for the Paramount-Publix Corporation, predecessor of Paramount Productions, Inc. He also made one picture for the Universal Pictures Corporation during 1932 under a loan of his services by Paramount-Publix to Universal.

On March 29, 1933, the petitioner entered into a contract with Paramount Productions, Inc., hereinafter referred to as Paramount, under the terms of which one picture, "White Woman", was produced in that year. Paragraph Twelfth of said contract provided in part as follows:

> The Artist hereby grants to the Corporation an option upon the Artist's exclusive services in one (1) motion picture photoplay to be produced between April 15, 1934, and September 15, 1934, at the salary and at the rate of Three Thousand ($3,000.00) Dollars per week for not less than five (5) weeks for his services in such production.

Under date of September 15, 1933, Paramount notified the petitioner that it elected to exercise the foregoing option.

After completing the picture, "White Woman", the petitioner returned to England, and on April 30, 1934, a corporation bearing the name of "Motion Picture and Theatrical Industries, Limited," hereinafter referred to as Industries, Ltd., was organized under and by virtue of the laws of Great Britain, and specifically under the English Companies' Act of 1929. As set forth in its memorandum of association, the objects for which the company was established were to engage in the motion picture and theatrical businesses or any business incidental or related thereto.

The principal place of business of Industries, Ltd., has been at all times since its formation and now is London, England. During the taxabe years it was managed by a board of directors composed of business men. The petitioner was not a member of the board of directors, nor was he an officer of the company, although he was the real beneficial owner of all its outstanding stock, except qualifying shares, for which he paid into the company £6,000 or approximately $30,000.

On May 4, 1934, petitioner and Industries, Ltd., executed a contract in London, whereby, in return for the payment of £150 or approximately $750 per week for the next five years thereafter, together with the payment of certain other expenses, petitioner agreed to give his sole and exclusive services to Industries, Ltd., subject always to the primary obligations of a contract entered into February 26,

1934, and then existing between petitioner and London Film Productions, Ltd., whereby petitioner was to make three pictures for the latter company. The petitioner agreed to assign the profits and any moneys arising from the latter agreement and his right to 10 percent of the gross receipts from the photoplay "The Private Life of Henry VIII" to [18] Industries, Ltd., as part of the consideration for the contract of May 4, 1934. Industries, Ltd., agreed to assume the obligations of the petitioner under his contract of May 4, 1932, with Frank Joyce-Myron Selznick, Ltd. Paragraph 15 of petitioner's agreement with Industries, Ltd., provided as follows:

> Nothing in this Agreement shall be contrary to the proposition that from time to time it is contemplated that the Emperor itself will be engaging in motion picture or theatrical activities in the British Isles in connection with which it shall employ the Employee and in no case will it engage in any motion picture or theatrical activities in which there shall be a male principal part without employing the Employee in the enactment thereof unless the Employee expressly and in writing shall assent to the Employer in any such activities employing some other actor.

On May 5, 1934, petitioner sailed for the United States. On May 14 he reached Los Angeles and immediately commenced work as an actor in "The

Barretts of Wimpole Street'' for Metro-Goldwyn-Mayer under a pending loan agreement which was finally executed between Metro-Goldwyn-Mayer and Industries, Ltd., on July 6, 1934. The agreement became effective as of May 14, 1934, provided for petitioner's appearance in ''The Barretts of Wimpole Street'' and ''Marie Antoinette'', and permitted him to appear in one photoplay for Paramount. Metro-Goldwyn-Mayer paid Industries, Ltd., for the services performed by the petitioner under the said loan agreement $45,333.33 during 1934 and $119,230.76 during 1935.

On July 5, 1934, the contract of March 29, 1933, between petitioner and Paramount was canceled by mutual consent, and on the same day Industries, Ltd., entered into an agreement with Paramount relative to the services of the petitioner. This contract and the contract of Industries, Ltd., with Metro-Goldwyn-Mayer were both acknowledged by petitioner in a separate writing, attached to each contract, wherein he obligated himself, individually, to render the services agreed upon by the studios and Industries, Ltd. Subsequent contracts and modifications of existing contracts for the loan of Laughton's services by Industries, Ltd., were likewise acknowledged by the petitioner.

Under the loan agreement with Paramount petitioner performed in ''Ruggles of Red Gap'', and Paramount paid Industries, Ltd., for such services the sums of $48,000 in 1934 and $6,000 in 1935.

On December 21, 1934, Industries, Ltd., contracted for the loan of Laughton's services to Twentieth Century Pictures, Inc. During 1935 Industries, Ltd., received $65,000 from Twentieth Century Pictures, Inc., for the services rendered the latter company by petitioner.

Each of the three studios aforementioned deducted and withheld from the amounts that were to be paid to Industries, Ltd., the sums prescribed as income tax to be withheld at the source under the provisions of section 144, Revenue Act of 1934. The sums so deducted [19] were paid over to the collector of internal revenue by the studios in the amounts and for the years as follows:

	1934	1935
Metro-Goldwyn-Mayer	$ 6,233.33	$16,394.24
Paramount Productions, Inc.	6,600.00	825.00
Twentieth Century Pictures, Inc.		8,937.50
Total	12,833.33	26,156.74

Industries, Ltd., filed its Federal corporation income and excess profits tax returns for 1934 and 1935 showing net income of $46,255.60 and $143,618.53 for 1934 and 1935, respectively. As to each year the return shows that the income tax due was less than the amount withheld by the studios; the overpayment shown on each return amounted to $6,473.18 for 1934 and $6,409.19 for 1935.

Industries, Ltd., filed capital stock tax returns for the fiscal years ended June 30, 1934, 1935, and 1936, and claimed exemption from payment of the

capital stock tax. After the claimed exemption was denied, Industries, Ltd., paid a capital stock tax for each of the years.

The petitioner reported the salary he received from Industries, Ltd., for the taxable years 1934 and 1935, amounting to $32,811.66 and $22,419.09, respectively, and paid the income tax due thereon to the Federal Government, and paid an income tax to the State of California for the year 1935.

Industries, Ltd., filed claims for refund for the amount of tax withheld by the studios over and above the amounts shown as due on its income tax returns for 1934 and 1935. Additional claims for refund were filed by Industries, Ltd., for the refund of all the corporation's income tax withheld from it and paid to the collector by the studios in order to protect the corporation's interest in the event that this proceeding should result in the taxation of income to petitioner. Claims for refund were also filed for the capital stock tax paid for the fiscal years. Subsequent to the taxable years and in 1937 the Bureau of Internal Revenue denied the claims for refund as to capital stock tax.

During the first year of its existence, May 1, 1934, to April 30, 1935, Industries, Ltd., loaned petitioner $22,520 and during the second year it made additional loans to the petitioner amounting to $78,625. The loans in the first year were made because of the extra expense to the petitioner of maintaining living quarters in Hollywood and London simul-

taneously. The loans made in the second year were nearly all spent in the purchase of a leasehold in London and a valuable painting. These loans were amply secured [20] by the assignmnet of life insurance policies amounting to $100,000 and by the leasehold.

Industries, Ltd., was organized for a business purpose. During the taxable years the company began gathering material and preparing for future production. In December 1935 it acquired an option on a play called "The First Gentleman." It did not begin production of pictures in the taxable years, on account of lack of funds. Subsequent to the taxable years and after the company had accumulated sufficient capital it actively engaged in production either on its own account or through a subsidiary company.

OPINION

Arnold: This proceeding involves the question of whether petitioner or Industries, Ltd., shall be taxed upon sums paid to the corporation by various moving picture producers. The respondent contends that we should look through the corporate form under which petitioner's business was alleged to be conducted to the actual and substantial facts and determine that Industries, Ltd., was organized as a tax avoidance scheme. The respondent asserts that Industries, Ltd., was merely the agent and alter ego of the petitioner, that it served as a conduit or passageway for his Hollywood earnings to

his London bank account, and that the agreements between Industries, Ltd., and the Hollywood film producers were anticipatory arrangements for the deflection of income. The answer to respondent's contentions turns upon whether the corporation should be recognized or disregarded as an entity separate and apart from the petitioner.

In New Colonial Ice Co. v. Helvering, 292 U. S. 435, 442, the Supreme Court stated:

> As a general rule a corporation and its stockholders are deemed separate entities [citing cases] and this is true in respect of tax problems [citing cases]. Of course, the rule is subject to the qualification that the separate identity may be disregarded in exceptional situations where it otherwise would present an obstacle to the due protection or enforcement of public or private rights [citing cases].

See also Groves v. Commissioner, 99 Fed. (2d) 179; Commissioner v. Griffiths, 103 Fed. (2d) 110; Belle G. Loewenberg, 39 B. T. A.—(May 16, 1939). In our opinion, however, the facts herein fail to bring this proceeding within any recognized exception to the above stated general rule.

We have found as a fact that Industries, Ltd., was a business organization, managed by business men, and created for business reasons. Its failure to engage extensively in the production of motion pictures [21] during the taxable years was reason-

ably explained as due to a lack of capital. Subsequent events support this explanation. The contract of May 4, 1934, indicates that the directors of Industries, Ltd., and the petitioner contemplated that Industries, Ltd., would be engaging in motion picture or theatrical activities. The testimony of one of its directors and the minutes of the directors' meetings of Industries, Ltd., establish that as soon as sufficient capital was accumulated the company actively engaged in production.

The loan agreements whereby petitioner was to act for Hollywood producers were in accordance with the general practice in the industry, where one studio or producer had a long term contract for the services of an actor. Industries, Ltd., had such a contract for petitioner's services, and the amount which it could realize therefrom depended upon his continued popularity with the public and the use of his services by the producing companies. While Industries, Ltd., had the right to petitioner's exclusive services, it was obligated to pay him a salary of more than $3,000 per month for five years. By virtue of its loan agreements with studios and its rights under the assignment by petitioner of his percentage of the gross receipts from "The Private Life of Henry VIII," the directors were able to provide the company with sufficient capital to embark upon production in their own right. This, in our opinion, was the ultimate aim and purpose for which the company was organized.

We agree with petitioner that this proceeding is in many respects comparable to the situation in Fontaine Fox, 37 B. T. A. 271. Laughton's only relationship with the contracts for the loaning of his services was to consent to the performance of the services provided for in such loan contracts. The amounts sought to be taxed as petitioner's earnings were received by Industries, Ltd., under contracts between it and the studios. There was no assignment of future earnings or future income such as existed in Lucas v. Earl, 281 U. S. 111, and there is here no occasion to apply the doctrine of that case.

The fact that petitioner is a nonresident alien and that Industries, Ltd., is a foreign corporation is immaterial so far as the present question of law is concerned. Given the same circumstances with respect to a citizen of the United States and a domestic corporation, the principle of law would apply with equal force. The principal difference between the two classifications is that nonresident aliens and foreign corporations are subject to the withholding provisions of sections 143 and 144 of the Revenue Act of 1934 with respect to income from sources within the United States, which generally speaking have no application to citizens of this country or domestic corporations.

Considering the entire situation, we are of the opinion that Industries, Ltd., is an entity separate and apart from the petitioner, and [22] that its

income should not be taxable to him. This determination removes the necessity of considering any of the alternative issues presented by the pleadings, particularly, in view of the statements in the briefs of both parties to the effect that the sole question presented was whether the income of Industries, Ltd., was taxable to the petitioner. Since other adjustments were made by the respondent, the deficiencies should be recomputed in accordance herewith.

Decision will be entered under Rule 50. [23]

United States Board of Tax Appeals
Washington

Docket No. 88104

CHARLES LAUGHTON,

Petitioner,

v.

COMMISSIONER OF INTERNAL REVENUE,

Respondent.

DECISION

Pursuant to the Findings of Fact and Opinion of the Board promulgated June 15, 1939, the respondent herein having on August 3, 1939, filed a recomputation and the petitioner having on September 6,

1939, filed an acquiescence therein, now therefore, it is

Ordered and decided: That there are deficiencies in income tax for the years 1934 and 1935 in the respective amounts of $289.66 and $264.22.

[Seal] (s) WILLIAM W. ARNOLD,
Member.

Entered Sep. 11, 1939. [24]

[Title of Board and Cause.]

STIPULATION OF VENUE

Pursuant to the provisions of Section 1002 of the Revenue Act of 1926, as amended by Section 519 of the Revenue Act of 1934, it is hereby agreed and stipulated that the decision of the United States Board of Tax Appeals in this proceeding may be reviewed by the United States Circuit Court of Appeals for the Ninth Circuit.

(sd) SAMUEL O. CLARK, JR.
Assistant Attorney General,
Attorney for Petitioner.

(sd) JOHN B. MILLIKEN
(sd) HARRIET GEARY
(sd) HERSCHEL B. GREEN
Attorney for Respondent.

[Endorsed]: U. S. B. T. A. Filed Nov. 17, 1939.
[25]

[Title of Board and Cause.]

PETITION FOR REVIEW AND ASSIGNMENTS OF ERROR

To the Honorable Judges of the United States Circuit Court of Appeals for the Ninth Circuit:

Now comes the Commissioner of Internal Revenue, by his attorneys, Samuel O. Clark, Jr., Assistant Attorney General, J. P. Wenchel, Chief Counsel, Bureau of Internal Revenue, and John M. Morawski, Special Attorney, Bureau of Internal Revenue, and respectfully shows:

I.

Jurisdiction

The petitioner on review is the duly appointed, qualified and acting Commissioner of Internal Revenue, hereinafter referred to as the Commissioner, holding his office by virtue of the laws of the United States.

The respondent on review, Charles Laughton (hereinafter referred to as the taxpayer), is a nonresident alien with address care of [26] Myron Selznick & Company, Inc. at 9460 Wilshire Boulevard, Beverly Hills, California. The taxpayer filed his income tax return for the year 1934 with the Collector of Internal Revenue for the Third District of New York and within the judicial circuit of the United States Circuit Court of Appeals for the Second Circuit, and his income tax return for the year 1935 was filed with the Collector of Internal Revenue at Los Angeles, California, and within

the judicial circuit of the United States Circuit Court of Appeals for the Ninth Circuit. Pursuant to the provisions of Section 1002 of the Revenue Act of 1926, as amended by Section 519 of the Revenue Act of 1934, the Commissioner and the taxpayer have executed and filed in this cause, a stipulation that the decision of the Board of Tax Appeals in this proceeding may be reviewed by the United States Circuit Court of Appeals for the Ninth Circuit.

II.

Prior Proceedings

On November 28, 1936 the Commissioner determined deficiencies in income tax against the taxpayer for the years 1934 and 1935 in the respective amounts of $23,160.03 and $81,270.84, and sent by registered mail a notice of said deficiencies in accordance with Section 272 of the Revenue Act of 1934. Thereafter and on February 12, 1937, the taxpayer filed a petition for a redetermination of said deficiencies by the United States Board of Tax Appeals. [27]

The case was tried before the Board of Tax Appeals at Los Angeles, California, on June 27, 1938.

On June 15, 1939, the Board promulgated its findings of fact and opinion (40 B.T.A. 101), and on September 11, 1939, entered its decision that there are deficiencies in income tax for the years 1934 and 1935 in the respective amounts of $289.66 and $264.22.

III.

Nature of Controversy

The question presented was whether the compensation in question was taxable to the taxpayer for whose services it was paid, or to a corporation of which he was the sole stockholder—Motion Picture and Theatrical Industries, Ltd., to which the payments were made. In 1934 and 1935 the taxpayer performed personal services at Los Angeles, California, as a motion picture actor in certain pictures produced by Metro-Goldwyn-Mayer Corporation, Paramount Productions, Inc., and Twentieth Century Pictures, Inc. The compensation for such personal services was transmitted to Motion Picture and Theatrical Industries, Ltd., an English corporation, pursuant to taxpayer's alleged sale of his services to such corporation.

At the time of the creation of the British corporation, Motion Picture and Theatrical Industries, Ltd., the taxpayer was faced with prospects of large income from his talent as a moving picture actor. He came to the United States in 1932 and was engaged in four pictures for Paramount-Publix Corporation, predecessor of Paramount Productions, Inc., and also in one [28] picture for the Universal Pictures Corporation. On March 29, 1933, the taxpayer entered into a contract with Paramount Productions, Inc., under the terms of which one picture, "White Woman" was produced. Said contract also provided for an option on taxpayer's exclusive services in one picture to be produced be-

tween April 15, 1934 and September 15, 1934. This option was exercised by Paramount Productions, Inc., September 15, 1933. After completing the picture, "White Woman", the taxpayer returned to England and on April 30, 1934, Motion Picture and Theatrical Industries, Ltd. was organized.

The compensation in question for the taxable years 1934 and 1935 that was paid over to Motion Picture and Theatrical Industries, Ltd., represented the earnings of the taxpayer for his personal services as a motion picture actor in the production of motion pictures. The British corporation never produced a picture or a play during the taxable years, and during the first year of its existence, May 1, 1934 to April 30, 1935, it loaned taxpayer $22,520, and in the second year it made additional loans to him amounting to $78,625.00, the latter amount being nearly all spent in the purchase of a leasehold in London and a valuable painting.

The Commissioner determined that the compensation in question was taxable to the taxpayer. The Board however held that it was not taxable to him.

[29]

IV.

ASSIGNMENTS OF ERROR

The Commissioner avers that in the record and proceeding before the Board of Tax Appeals and in the opinion and final decision rendered and entered by the Board of Tax Appeals, manifest error occurred and intervened to the prejudice of the

Commissioner who now assigns the following errors and each of them, which he avers occurred in said record, proceeding, opinion and final decision so rendered and entered by the Board of Tax Appeals:

The United States Board of Tax Appeals erred—

1. In holding that there are deficiencies in income tax for the years 1934 and 1935 in the respective amounts of only $289.66 and $264.22.

2. In failing to hold that there are deficiencies in income tax for the years 1934 and 1935 in the respective amounts of $23,160.03 and $81,270.24.

3. In holding that Motion Picture and Theatrical Industries, Ltd., is an entity separate and apart from the taxpayer.

4. In holding that the corporate entity of Motion Picture and Theatrical Industries, Ltd., must be recognized.

5. In holding that the amounts paid by Metro-Goldwyn-Mayer Corporation, Paramount Productions, Inc., and Twentieth Century Pictures, Inc., for taxpayer's services were income of Motion Picture and Theatrical Industries, Ltd., and not taxable to taxpayer. [30]

6. In failing to hold that on the facts an exceptional situation is here presented where the recognition of the corporate entity of Motion Picture and Theatrical Industries, Ltd., presents an obstacle to the due protection and enforcement of public rights.

7. In failing to hold that the amounts paid by Metro-Goldwyn-Mayer Corporation, Paramount

Productions, Inc., and Twentieth Century Pictures, Inc., for taxpayer's services are taxable to him.

8. In failing to hold that the arrangement between the taxpayer, Motion Picture and Theatrical Industries, Ltd., and Metro-Goldwyn-Mayer Corporation, Paramount Productions, Inc., and Twentieth Century Pictures, Inc., was an anticipatory arrangement designed to prevent the amounts paid for taxpayer's services from vesting immediately in taxpayer.

9. In failing to hold that the purpose of Congress to tax payments for services to the party performing such services can not be frustrated by such anticipatory arrangement whether it be designated a transfer of future income or future services.

10. In failing to hold that the personal earnings of the taxpayer are taxable in their entirety to him.

11. In failing to hold that the amounts paid by Metro-Goldwyn-Mayer Corporation, Paramount Productions, Inc., and Twentieth Century Pictures, Inc., for taxpayer's services represented compensation for personal service taxable to him. [31]

12. In failing to hold that the amounts paid by Metro-Goldwyn-Mayer Corporation, Paramount Productions, Inc., and Twentieth Century Pictures, Inc., for taxpayer's services are taxable to the taxpayer under Section 45 of the Revenue Act of 1934.

13. In holding that Motion Picture and Theat-

rical Industries, Ltd., was formed for a business purpose.

14. In failing to hold that Motion Picture and Theatrical Industries, Ltd., was not formed for a business purpose.

15. In failing to hold that Motion Picture and Theatrical Industries, Ltd., did not serve a business purpose in connection with the income received during the taxable years in question.

16. In that its decision was not supported by the evidence and is contrary to law.

Wherefore, the Commissioner petitions that the decision of the Board of Tax Appeals be reviewed by the United States Circuit Court of Appeals for the Ninth Circuit, that a transcript of the record be prepared in accordance with law and with the rules of said Court and transmitted to the Clerk of said Court for filing, and that appropriate action be taken to the end that the errors complained of may be reviewed by said Court.

(sd) SAMUEL O. CLARK, JR.
Assistant Attorney General
(Signed) J. P. WENCHEL
RLW
Chief Counsel, Bureau of
Internal Revenue.

Of Counsel:
JOHN M. MORAWSKI,
Special Attorney,
Bureau of Internal Revenue. [32]

United States of America
District of Columbia—ss.

John M. Morawski, being duly sworn, says that he is a Special Attorney in the Bureau of Internal Revenue and as such is duly authorized to verify the foregoing petition for review; that he has read said petition and is familiar with the contents thereof; that said petition is true of his own knowledge except as to the matters therein alleged on information and belief, and as to those matters he believes it to be true.

(sd) JOHN M. MORAWSKI
Special Attorney, Bureau of
Internal Revenue.

Sworn and subscribed to before me this 22nd day of November, 1939.

(sd) GEORGE W. KREIS
Notary Public.

My commission expires Nov. 15, 1942.

[Endorsed]: U. S. B. T. A. Filed Nov. 28, 1939.

[33]

[Title of Board and Cause.]

NOTICE OF FILING PETITION FOR REVIEW

To: John B. Milliken, Esq.,
Herschel B. Green, Esq.,
Harriet Geary,
808 Bank of America Building,
Los Angeles, California.

You are hereby notified that the Commissioner of Internal Revenue did on the 28th day of November, 1939, file with the Clerk of the United States Board of Tax Appeals, at Washington, D. C., a petition for review by the United States Circuit Court of Appeals for the Ninth Circuit, of the decision of the Board heretofore rendered in the above-entitled cause. A copy of the petition for review and the assignments of error as filed is hereto attached and served upon you.

Dated this 28th day of November, 1939.

(Signed) J. P. WENCHEL,
Chief Counsel, Bureau of
Internal Revenue.

Personal service of the above and foregoing notice, together with a copy of the petition for review and assignments of error mentioned therein, is hereby acknowledged this 1st day of December, 1939.

(sd) JOHN B. MILLIKEN
(sd) HARRIET GEARY
(sd) HERSCHEL B. GREEN
Counsel for Respondent on
Review.

[Endorsed]: U. S. B. T. A. Filed Dec. 7, 1939.

[34]

[Title of Board and Cause.]

NOTICE OF FILING PETITION FOR REVIEW

To: Charles Laughton,
c/o Myron Selznick & Company, Inc.,
9460 Wilshire Boulevard,
Beverly Hills, California.

You are hereby notified that the Commissioner of Internal Revenue did on the 28th day of November, 1939, file with the Clerk of the United States Board of Tax Appeals, at Washington, D. C., a petition for review by the United States Circuit Court of Appeals for the Ninth Circuit, of the decision of the Board heretofore rendered in the above-entitled cause. A copy of the petition for review and the assignments of error as filed is hereto attached and served upon you.

Dated this 28th day of November, 1939.

(Signed) J. P. WENCHEL,
Chief Counsel, Bureau of
Internal Revenue.

Personal service of the above and foregoing notice, together with a copy of the petition for review and assignments of error mentioned therein, is hereby acknowledged this 4 day of December, 1939.

(sd) CHARLES LAUGHTON,
Respondent on Review.

[Endorsed]: U. S. B. T. A. Filed Dec. 7, 1939.

[35]

[Title of Board and Cause.]

STATEMENT OF EVIDENCE

The above-entitled cause came on for hearing at Los Angeles, California, June 27, 1938 before the Honorable W. W. Arnold, member of the United States Board of Tax Appeals, there being present the petitioner by his counsel, John B. Milliken, Esq., Herschel B. Green, Esq., and Harriet Geary, and the Commissioner by his counsel, Alva C. Baird. Thereupon, the following proceedings were had:

A stipulation of facts, together with exhibits, was received in evidence and is hereby included and will be designated as a part of this statement of evidence.

Whereupon, the following occurred:

Mr. Milliken: In the petition filed in this case, there was of course attached to the petition a copy of the 90-day letter issued by respondent. I desire to first refer to page 2 of such 90-day letter with respect to year 1934 wherein is set forth "Gross salary actually earned, from Metro-Goldwyn-Mayer Studios, $45,333.33", and from Paramount Studios, $48,000.00.

And then, on page 4 of the 90-day letter, it sets forth for the year 1935:

"Gross salary actually earned:

Metro-Goldwyn-Mayer Studios	$118,428.59
Paramount Studios	9,000.00
Twentieth Century Pictures, Inc.	65,000.00"

[36]

Those sums have been changed somewhat in the stipulation referred to, in inconsequential amounts. I should like, if counsel for the respondent would agree to the stipulation that the sums of money which I have just read into the record from the 90-day letter were and are the identical sums of money which respondent in his 90-day letter seeks to add to and include in the income of this petitioner, Charles Laughton.

Mr. Baird: Just a minute. That is true, with one possible exception (examining document). Mr. Milliken, that is true, and we will so stipulate, with this exception, that the $20,000.00 item on page 4, "net salary reported"—in other words, the additional amount is $171,482.82, and not $192,428.59.

Mr. Milliken: Well, the point is, I am endeavoring to save time, and I am sure we do agree that the sums here which were paid to the corporation and on which the corporation tax had been withheld are the same sums which the Commissioner, by ignoring the corporation, now includes in the income of the petitioner, Charles Laughton, over which we are here, now, in controversy.

Mr. Baird: That is right; in other words, you want me to stipulate that the amounts paid to the corporation are the amounts involved in this controversy.

Mr. Milliken: Yes.

The Member: Very well, it is so understood.

Thereupon, the following documents were received in evidence: Federal income tax returns of Charles Laughton for the calendar years 1934 and 1935 and marked taxpayer's Exhibits 1 and 2 respectively; individual income tax return for the calendar year 1935, filed with the State of California by Charles Laughton, and marked taxpayer's Exhibit 3; income and excess-profits tax return of Motion Picture & Theatrical Industries, Ltd. for the calendar year 1934 and marked taxpayer's exhibit 4; capital stock tax return of Motion Picture & Theatrical Industries, Ltd., for the year ending June 30, 1934, and marked taxpayer's Exhibit 5; income and excess-profits tax return of Motion Picture & Theatrical Industries, Ltd., for the calendar year 1935 and marked taxpayer's Exhibit 6; capital stock tax returns of Motion Picture & Theatrical Industries, Ltd., for the years ending June 30, 1935 and June 30, 1934, and marked taxpayer's Exhibits 7 and 8, respectively; claim for refund dated November 9, 1936 by Motion Picture & Theatrical Industries, Ltd., with respect to tax withheld at source from that corporation, and marked taxpayer's Exhibit 9; claim for refund dated November 9, 1936, with [37] respect to tax withheld at source, for and on behalf of Motion Picture & Theatrical Industries, Ltd., and marked taxpayer's Exhibit 10;

claims for refund of Motion Picture & Theatrical Industries, Ltd., in the sums of $6,409.19 and $26,-156.74, both for the calendar year 1935, and marked taxpayer's Exhibits 11 and 12, respectively; claims for refund of capital stock tax, filed by Motion Picture & Theatrical Industries, Ltd., in the sums of $1,294.58, $1,220.37, and $750.00 for the years ending June 30, 1934, June 30, 1935 and June 30, 1936, respectively, and marked taxpayer's Exhibits 13, 14, and 15, respectively; a letter from D. S. Bliss, Deputy Commissioner, to Motion Picture & Theatrical Industries, Ltd., rejecting the claims for refund of capital stock tax for the years ended June 30, 1934, 1935 and 1936, and marked taxpayer's Exhibit 16; a letter from D. S. Bliss to Motion Picture & Theatrical Industries, Ltd., dated April 1, 1938, allowing the claim for exemption of the corporation from the capital stock tax for the year ended June 30, 1937, and marked taxpayer's Exhibit 17.

Said taxpayer's Exhibits 1 to 17, inclusive, are hereby included and will be designated as a part of this statement of evidence.

MR. ALFRED TREGEAR CHENHALLS, being first duly sworn, testified on behalf of the taxpayer as follows:

I reside at 10 Hyde Park Mansions, London, England. I am a chartered accountant. I was trained

(Testimony of Mr. Alfred Tregear Chenhalls.)

as chartered accountant for six years, and I [38] have been in practice as a chartered accountant in London for sixteen years. After that, I was public auditor appointed by the English Government, and Fellow of the Royal Statistical Society. I have been associated in a professional way with Mr. Charles Laughton for over five years past. As to the nature of my professional association with Mr. Laughton, I have been his complete financial adviser, both personally and in relation to this company. In my work as chartered accountant in England, for the years I have testified to, I have specialized in work appertaining to, I suppose, all branches of theatrical and film work. Mr. Laughton continually discussed the matter of the organization of Motion Picture & Theatrical Industries, Ltd., with me for at least a year or perhaps eighteen months before it was incorporated in April, 1934.

Q. Will you please state to the Board the nature of the discussion which you had with Mr. Laughton concerning the organization of this corporation?

A. I will. Mr. Laughton has a theory that actors always die poor, and producers die rich. He was not content to retain this status of a film star. His successes are very recent. It was only in 1932 that he made the first film from which he derived money. He saw, on all sides,

(Testimony of Mr. Alfred Tregear Chenhalls.)

actors making a great deal of money but dying poor.

Thereupon counsel for Commissioner objected to the witness answering that question and all other questions of similar import, on the ground that he relies on conclusions as to what was in the mind of the taxpayer, that the question calls for an answer which is hearsay, and it would be in the nature of a self-serving declaration, that he is precluded from making any cross examination of the taxpayer, and that this same objection goes to all of the questions of this same nature. [39]

The Board Member ruled that the testimony will be received subject to the objection, and that the objection goes to the entire course of testimony along this line. The Member noted an exception for the Commissioner.

Mr. Milliken: However, both reserving exceptions depending upon the ruling your Honor will make?

The Member: Yes.

By Mr. Chenhalls:

I am a director in and accountant to Motion Picture & Theatrical Industries, Ltd. A director is, ipso facto, an officer of the corporation. As to Mr. Laughton's statements to me with respect to the occasion and need for this corporation:— Mr. Laughton used to talk to me about it continually

(Testimony of Mr. Alfred Tregear Chenhalls.)

and say clearly that it was his purpose—no, not for me to tell you the inferences—but he told me it was his theory that, as an actor, he would die poor. He had a Gerald du Maurier in mind who died poor, and he said that he was determined, while he was on the crest of the wave, to safe-guard his resources, that he would engage the services of the finest writers in New York, and technicians, and cameramen and form a renaissance of the British film industry. It was a matter of common knowledge that the industry in England was at a low ebb; a few years later it crashed. All this, he told me, countless times. He figured that if anything went wrong with him, if he had any adverse experiences in an action at law, or in case of fire, or anything like that, everything could be taken. It is the normal course in England to form a corporation. He did it for that purpose. He had no idea of evading American taxes or English taxes. These discussions took place [40] before, continually, for over two years before the organization of the corporation. I am the accountant of Motion Picture & Theatrical Industries, Ltd., as well as of Mr. Laughton personally. The books of account and records of that company have to be, by our English law, kept under my control. As to whether Motion Picture & Theatrical Industries, Ltd. paid agent's commissions with respect to the sums which I heard you identify heretofore as received by the

(Testimony of Mr. Alfred Tregear Chenhalls.)

corporation, which the Commissioner of Internal Revenue now proposes to tax to Mr. Laughton individually:— They did pay ten percent commissions. Frank Joyce and Myron Selznick were the theatrical agents of Motion Picture & Theatrical Industries, Ltd. By totalling the agency book, I find that, in 1934, the Motion Picture and Theatrical Industries, Ltd. paid Myron Selznick and Frank Joyce as agent's commissions $8,433.32, and in 1935, payment is shown of $19,921.23, a total of $28,354.55.

Whereupon, the parties stipulated that those agent's commissions which were paid, as testified to by Mr. Chenhalls, relate to the identical sums which were earned from the three studios in the two years; that is set forth in the stipulation.

Thereupon, the witness resumed his testimony as follows: Motion Picture & Theatrical Industries, Ltd., had an attorney, Mr. Loyd Wright, in America from late in May, 1934, for the balance of the year 1934 and for 1935. Mr. Loyd Wright was employed by the corporation simply for carrying through contracts between the corporation and the film studios.

Q. And were they the contracts with Metro-Goldwyn-Mayer, Paramount Productions, Inc., and Twentieth Century Pictures, which you have heard me refer to as the sums received by the corporation through these years?

A. Yes, Mr. Loyd Wright carried out all those. [41]

(Testimony of Mr. Alfred Tregear Chenhalls.)

As to what fees the corporation paid to Mr. Loyd Wright for that service in 1934 and 1935:— I can tell you that exactly (examining books). They paid him altogether, including a very large sum of disbursements, $8,000.00. That was paid in 1935. His first account for work from May or June of 1934 to the end of 1934 was rendered and paid on January 2, 1935, for $5,000.00. His second account was rendered and paid on December 10, 1935, for $3,000.00, making the total sums paid to Loyd Wright for both years $8,000.00.

I am familiar with the contract which Charles Laughton executed under date of May 4, 1934, with Motion Picture & Theatrical Industries, Ltd., whereby he gave his exclusive services to that corporation. (Counsel for taxpayer then stated that said contract has been introduced as an exhibit in this case and in that contract it sets forth that they are to pay him for a period of five years hence the sum of one hundred and fifty pounds per week.) The corporation has paid, beginning with 1934, down to date, that sum weekly to Mr. Laughton, pursuant to that contract.

I am supposed to be an expert on the tax laws of Great Britain.

Q. Has Great Britain attempted to ignore this corporation and to tax the entire proceeds of Charles Laughton?

(Testimony of Mr. Alfred Tregear Chenhalls.)

Mr. Baird: We object to that as being wholly irrelevant and immaterial.

The Member: Objection sustained.

Mr. Milliken: I note an exception.

The Member: Exception noted. [42]

By Mr. Milliken:

Q. Have you here an official document relating to the way in which the British tax authorities consider the Motion Picture & Theatrical Industries, Ltd.?

A. I have, yes.

Q. Does that official document show that the authorities have recanted from any such position as is now being taken by the United States of America? A. It——

Mr. Baird: (Interposing) I move that the answer be stricken; we object to it as irrelevant and immaterial.

The Member: The motion is granted, and the objection is sustained.

Mr. Milliken: May I make an offer of proof.

The Member: Yes.

Mr. Milliken: Counsel, if permitted to, would be able to show that, under date of May 7, 1938, the English Government had heard something of the demands of the Government of the United States, and asked Mr. Chenhalls to prepare and forward to the Clerk of the Special Commissioner of Income Tax of Eng-

(Testimony of Mr. Alfred Tregear Chenhalls.)

land a statement covering and including the operations of this corporation. The record would further show, if counsel were permitted to file it, that under date of May 11, 1938, the Office of The Special Commissioner of Income Tax of England, after the consideration of its pages, on May 7, 1938, with immediate alacrity —only four days—decided that there was no substance to such position.

The Member: May I ask what is the purpose of that offer?

Mr. Milliken: In the first place, your Honor has a very solemn duty in disregarding a corporation of England, which we will show has had a bonafide existence over all this period, and in setting it aside, when England which is the only government having the self-same laws we have here, having the same problem presented to it as your Honor has here, has determined the matter.

The Member: Is it your position that the action of the Government of England is binding?

Mr. Milliken: No, it is not. I think it is merely an aid in construction. [43]

The Member: That is the purpose for which you are offering it?

Mr. Milliken: I do not offer it as binding on the United States Government.

(Testimony of Mr. Alfred Tregear Chenhalls.)

The Member: I fail to see its materiality.

Mr. Milliken: I note an exception.

The Member: Exception noted.

By Mr. Milliken:

Q. Mr. Chenhalls, has, to your knowledge, Mr. Laughton, since May 4, 1934, engaged in any work whether it related to motion picture work, acting on the stage, over the radio, or any other professional performance, that he has not acted through or pursuant to his contract with Motion Picture & Theatrical Industries, Ltd. whereby they have exclusive right to his services?

Mr. Baird: We object to that because that is practically the issue in this case. It is true that there was a corporation organized; there is no dispute about that. The articles of incorporation, or what correspond thereto, are in evidence. The contract the petitioner made with the British company is in evidence, but the issue is whether or not the Board is going to disregard the form and look to the substance. Furthermore, it calls for a conclusion by this witness.

The Member: Read the question, please, Mr. Reporter.

(Whereupon, the reporter read the pending question, as recorded.)

(Testimony of Mr. Alfred Tregear Chenhalls.)

The Member: The witness may answer.

Mr. Baird: I note an exception.

The Member: Exception noted.

By Mr. Milliken:

Q. Answer the question, please.

A. He has done such performances, but not outside of the scope of his contract. The directors would not allow him to do so. [44]

Q. Mr. Chenhalls, has Mr. Laughton—and I am asking you as an officer or director of the corporation and an accountant—done any work for charity, with respect to principals or otherwise?

A. Mr. Laughton has. He acted on the stage last Christmas, and gave the whole of the proceeds to charity, but owing to the service agreement of May 4, 1934, the corporation had to receive the proceeds, to pay the tax on them, but in spite of that handed it over to charity.

I have a minute book of Motion Picture & Theatrical Industries, Ltd., with me. I have had prepared and notarized before the American Consul verbatim copies of all the minutes of the meetings of Motion Picture & Theatrical Industries, Ltd.

Examination By Mr. Baird:

As to whether I was present at any of the meetings referred to in this minute book:— not in the meetings, for the first two years of the existence

(Testimony of Mr. Alfred Tregear Chenhalls.)

of the corporation, that is, for 1934 and 1935 and part of 1936. I did not make any of the entries in this book relating to the years 1934 and 1935. I was in America during a portion of 1934 and during a portion of 1935, at which time some of the meetings referred to in this minute book were held. Those meetings were held in London. This book was not kept by me personally. It has been kept personally by me since I was appointed a director, in the early summer of 1936, I think. Prior to that I was not a director or officer of the company. As to whether I had been an auditor or accountant for the company prior to the early part of 1936:— No; auditors had been appointed, but they did not act practically until January, 1938. The accountant of the company then was Mr. Shipley, and I believe the writing [45] in that book is that of Mr. Shipley or of his staff. I do not know what individual did the writing of the book, whether it was Mr. Shipley or someone else.

Examination By The Member:

That is the original minute book of the corporation. I cannot say the minutes were made by an officer of the corporation who was duly authorized to make such entries. I know that is the original minute book of the corporation because I have kept it for the past two years. My testimony goes to the extent that that whole book is the original minute book of the corporation. I know that is true because

(Testimony of Mr. Alfred Tregear Chenhalls.)

these minutes have been signed by Mr. Guedalla who has been chairman of the corporation throughout. I can infer by the signature of Mr. Guedalla that that minute book was kept by a person, an officer of the corporation authorized to keep the minutes.

Examination by Taxpayer's Counsel:

I am familiar with Mr. Guedalla's handwriting. I find that he has counter-signed the minutes. I am able to identify that as his signature.

Q. That was the minute book that was turned over to you by the corporation to check that with the minutes in which you were a participant? A. Yes.

(A copy of said minutes was received in evidence as taxpayer's Exhibit 18, and is hereby included and will be designated as a part of this statement of evidence.)

I have a stock register book of the corporation. I recognize the handwriting as when I became official director of this corporation. As to [46] whether that book was handed to me as an officer director of the corporation, as its official stock register book:— it was, and I had to verify every entry before I could continue with it, and I did verify every entry in it. Mr. Laughton, in monies, paid six thousand pounds in cash for share holdings in this corporation.

(Testimony of Mr. Alfred Tregear Chenhalls.)

Q. Did Mr. Laughton also, to your knowledge, turn over the percentage which he had coming to him with respect to a picture which he had made in England known as The Private Life of Henry VIII?

A. He did; that is also mentioned in the agreement you have agreed to.

Q. Dated May 4, 1934?

A. Yes, it is part of the consideration.

Q. Did the corporation receive any sums of money from additional income Laughton had in the percentage in The Private Life of Henry VIII?

A. It did then, and has been ever since.

Q. Were those a considerable sum or a nominal sum of money?

A. A considerable sum.

I have the cash books, as regards the American accountancy and as regards the English accountancy. I have verified every item from the beginning of the company partly because it was Mr. Laughton's instruction, and partly because the auditing had not been done by Price Waterhouse & Co. and I had to get the records retrospectively for their audit of the three years which did not take place until January, 1938. I have checked and verified each item appearing under those accounts. I have testified that the corporation paid Mr. Charles

(Testimony of Mr. Alfred Tregear Chenhalls.)
Laughton 150 pounds a week, and has done so continuously. [47]

Q. Will you tell his Honor what other business in the way of expenditures this corporation has engaged in from 1934 down to the present time.

Mr. Baird: We object to the question as taking in too much territory: we are not concerned with it down to the present time—this is 1938.

The Member overruled the objection and noted an exception for the Commissioner.

It bought books in July, 1934. The first amount spent on books was four pounds thirteen, $23.50. I do not know what book that was. It paid a well known English writer, Norman Ginsbury, $750.00 for the option, on a play called "The First Gentlemen". That is in December, 1935. In February, 1936, it paid for play reading $35.00. Mr. Laughton and I used to pay play readers and people out of our own pockets, from time to time, that is. I mean that this item of $35.00 is ridiculous, as we frequently used to pay more than that every week. In May, 1936, we renewed an option on "The First Gentleman" by a payment of $500.00.

There are items here for play reading, and disbursements of that sort throughout. They are covered in the petty cash items; we drew out at the time petty cash in amounts of from fifty to five

(Testimony of Mr. Alfred Tregear Chenhalls.)

hundred dollars at a time. As to whether they are identified in petty cash account:— I have not brought the petty cash book.

In November, 1936, $26.00 deposit was paid for a script. In December, 1936, a play reader was engaged at a salary of $37.50 a week, which was doubled to $75.00 a week, a few weeks later. In December, 1936, we paid Arthur Bryant, a well known English historian, $500.00 on account of $3,000.00 [48] for research work for a film. In December, 1936, an additional secretary was engaged for the company's work in connection with theatrical matters; that is to say, we had a definite play reader and a definite secretary. We have various items of telephone calls in connection with films, such as one which cost $136.00 to Miss Norma Shearer, dated January 26, 1937. In March, 1937, we paid a well known English writer, Somerset Maughm $7,500.00 on account of $15,000.00, for the film rights of his story, The Vessel of Wrath. In that month we paid an American scenario writer $750.00 traveling expenses to come to England and consult about films. In March, 1937, we paid $150,000.00 to the Mayflower Picture Corporation for the production of films, as an initial stake toward the production of films, two of which have been produced at a total cost of $1,000,000.00. In March or April, 1937, we commenced paying a well known English author, Miss Clemence Dane $750.00 a week for treatment of film material. That is to say, in

(Testimony of Mr. Alfred Tregear Chenhalls.)
a year we paid her $39,000.00 and are continuing to do so. In April, 1937, we paid another author V. S. Pritchett $1,000.00 for a short story. In April, 1938, we paid The Hospital for Sick Children $1,-215.00 being the proceeds received by the corporation for the use of Mr. Laughton's services in the stage production of Peter Pan. In that month we paid to the account of Miss Elsa Lanchester, wife of the plaintiff, $1,060.00 salary for the loan of her services toward a star part in Peter Pan, in fact, the part of Peter Pan. That is not everything, but those are typical amounts in the first three years of the company. [49]

By Mr. Milliken:

Q. Mr. Chenhalls, since you have been an officer and director in that company, do the minutes record, and does the cash book reflect, other projects which have been considered by the corporation which would have required or entailed a considerable expenditure of money?

A. Yes. The minute book does not contain one tenth of the total transactions of the company. It records those transactions which have definitely been concluded, or where there is a strong reason to get something down in writing.

He (Mr. Laughton) has not taken an active part in the production of Motion Pictures & Theatrical

(Testimony of Mr. Alfred Tregear Chenhalls.)

Industries, Ltd.; he is not a director. It is true that he owns all except the qualifying shares of the corporation. As to whether he permits the present directors and officers to run the corporation: —It it not a question of his permitting them. He financed the corporation so that business people should run his affairs. They are not only allowed a free hand but they never ask his permission. They are business men, just as he is an actor. That is a common practice in England. As to whether the plan of procedure of the motion picture industry in England in the way of financing pictures is different from, for instance, what we have in America here: Yes, it is a great deal different. In England somebody starts a small unit, such as Mr. Laughton founded with $30,000.00. That money is then spent for retaining options, on plays, writers, technicians, and so forth. When the people who run this corporation, that is to say, the directors of this company, are in a position to say that they have definitely concluded arrangements to secure options, plays and other material and people, they approach the finances. The finances of British films were normally [50] obtained from a bank overdraft which is guaranteed by some rich person and which is guaranteed again by Lloyd's Underwriters; everybody therefore makes an income—the Bank gets five percent, the underwriters get about seven percent and the guarantor gets six percent.

(Testimony of Mr. Alfred Tregear Chenhalls.)

Q. Now, these script writers and other persons you have mentioned, they were employed by the corporation to read script that would be suitable for pictures to be made by Motion Picture & Theatrical Industries, Ltd., is that correct?

A. Yes, those are the people I have just read to you.

As to why the corporation didn't earlier engage in such an expenditure as $150,000.00 which I mention with respect to some motion picture concern in England:— I know, from constantly associating with Mr. and Mrs. Charles Laughton, both professionally and socially, that the reason this company, the formation of which we talked over so many times, could not go into production earlier was, first, because it had not enough money in the first two years, and second, because it spent so much in the production of a French play which came to nothing. I was an officer in the corporation and had been for a long time when they paid out this $150,000.00.

Q. And that was the discussion, was it, why they had not earlier embarked upon it, because their cash was not sufficient?

A. It was partly that and partly because Mr. Laughton had met the producer whom he wanted to give up the next few years of his life to.

(Testimony of Mr. Alfred Tregear Chenhalls.)

Cross Examination

This $150,000.00 was spent for a stake, an initial deposit and investment for the production of films, implying that a further investment would be made at a later date. We expected to get from this $150,000.00 [51] a world wide distribution of three very large films. We were not paying this $150,000.00 to the Mayflower Film Company in order to get them to distribute two films in which we had an interest. The $150,000.00 was invested in buying the services of various playwrights and film stars, such as $15,000.00 which was paid to an English film manufacturer, John Maxwell, to form an English company, the Mayflower Pictures Corporation, Ltd., which was guaranteed by him to the extent of $1,250,000.00. If this motion picture company had not spent approximately $150,000.00 it would have had nothing to pay to John Maxwell to obtain from him such a large investment as that. Not by any means are we using this as an investment company for the resources of Charles Laughton. Laughton is only one in the Mayflower Company.

Q. But you were buying for Charles Laughton, or his solely controlled corporation, an interest in this Mayflower Pictures Corporation, Ltd's enterprises? A. Yes.

On May 19, 1936, I was appointed a director of Motion Picture & Theatrical Industries, Ltd. I had had a great deal of connection with the com-

(Testimony of Mr. Alfred Tregear Chenhalls.)

pany. I was not an officer prior to that date. I had had no specific contract of employment, but when I was appointed director I was paid a large fee which I believe related to services I had done, one way or another, up to that date. The Company paid me for some previous services when I became a director on May 19, 1936. The nature of that service was general office—I was in the extraordinary position of being an auditor but doing general office work. Up to that time I had been Mr. Laughton's personal [52] friend for nine years and his financial adviser for three years. He used to pay me fees for specific services rendered. As to the nature of the advice I had to give Mr. Laughton for which he paid these fees:— It all related to this thing he had in mind of extending his scope as a film actor, or forming a big English film company. In connection with my duties and my employment with him, and in my capacity as a Chartered Accountant, it was not necessary for me to become familiar with the tax laws not only of Great Britain but of all other countries in which Mr. Laughton performed. In connection with the transactions in which he engaged, I did not beforehand, unfortunately, but afterwards familiarize myself with the effects, from a tax standpoint, of the contemplated transaction. I wish I had done it beforehand; if I had, I would have thought of a better way of evading taxes than the allegations here.

(Testimony of Mr. Alfred Tregear Chenhalls.)

I have gained some experience by my association with this case and this controversy. It is not true that in May, 1934, when the British company was organized, Mr. Laughton was then under contract for services not only to motion picture producers in Great Britain, but also in the United States. From 1934, when Mr. Laughton gave his services to Motion Picture & Theatrical Industries, Ltd., he was under contract primarily to London Film Productions, Ltd. As to whether it isn't true also that he was under contract with Paramount whereby they could exercise an option on a then existing contract:— Subject always to London Film Productions, Ltd., with which he had had a contract since 1933, and with which he had to make seven more films, and subject always to the directors of Motion Picture & Theatrical Industries, Ltd., as to whether they [53] would allow him to go to America at all, he was under contract to Paramount. He had had several contracts with Paramount. I am not sure it is a fact that, on the very day of May 4, 1934, when he entered into a contract with the British company, namely, Motion Picture & Theatrical Industries, Ltd., that he was then under contract with Paramount to produce another picture in that year. I am under the impression that that contract had been cancelled. As to whether it was not a fact that some consideration was given, in May or thereabouts, to the effect of the American Income tax

(Testimony of Mr. Alfred Tregear Chenhalls.)

laws on the income of Mr. Laughton, that he was earning, or that there was a reasonable probability of his earning if he continued to play in this country: No, there just wasn't. None of us can vouch for that. I did not consider that, as far as I know. Later on, in 1936, I did come to this country and make some inquiry or investigation about the tax angle, because you were most improperly seeking to tax us.

I wrote the letter of July 10, 1936, to Mr. Laughton. Counsel for the Commissioner then read the following statement from said letter of July 10, 1936, and asked witness as to the purpose of the proposed financial arrangement that he was making to Mr. Laughton:

> "I put up several propositions to Irving Thalberg's attorneys, but the one I aimed at getting through is based on one of your own. It is that Irving Thalberg agrees to take up all three years' options at once, i.e., that you definitely have seven pictures to do with him. That the total renumeration under your M.G.M. agreement should be added up, divided by seven, fixing an annual sum PAYABLE OVER SEVEN YEARS. That this annual sum should [54] then be divided by 52, fixing the amount you are to receive every week as from the signing of a new contract."

Witness testified as follows:

(Testimony of Mr. Alfred Tregear Chenhalls.)

The proposed financial arrangement that I was making with Mr. Laughton was based on these circumstances or agreements that he had with Metro-Goldwyn-Mayer, dated in July and August, 1934, the August one being, I think, an extension of the July one, and made before there had been released to the public two or three very successful films. One of them, Mutiny On The Bounty, grossed many millions of dollars; another, The Barretts of Wimpole Street, and another one, Ruggles of Red Gap, made by Paramount, are very successful, and that increased his return enormously, and the remuneration he was to get was something like $85,000.00, I think, a film. I was aware, from his agent and others that their market value, per film, had risen to $200,000.00, at least. I went to Irving Thalberg as the principal party and asked him whether he would increase that $85,000.00 under contract, to $200,000.00, that is, whether we could agree on some form of remuneration which would save that American tax, and Laughton made that point, that it would mean that Metro-Goldwyn-Mayer would take over part of Laughton's tax. That letter was reporting to Mr. Laughton various suggestions that had been thrown out, which bore no result at all, and had no effect on what happened to his income or tax in 1935. As to whether in connection with this method of spreading the income over several years, I had no consideration of the effect of such

(Testimony of Mr. Alfred Tregear Chenhalls.)

a spread:— Oh, certainly, I did, because I had understood we were threatened with this claim. In other words, if the whole of our perfectly legal and normal corporation was to be disregarded, nobody could blame us for looking ahead to the future.

[55]

Counsel for Commissioner then read the succeeding paragraph from said letter, as follows:

> "My suggestion is that the new contract should be made by the London Subsidiary of M.G.M. with you personally (instead of M.G.M., Culver City, with Motion Pictures Ltd). That is to say you would be on the payroll of M.G.M., London for seven years in respect of making seven pictures during 1937, 1938 and 1939. I put it to Thalberg three of these seven pictures should be made by you and him in England,"

and asked witness whether he made that suggestion that the contract be entered into with Mr. Laughton personally instead of with Laughton's British-owned and controlled corporation which had the sole contract for Laughton's pictures.

Thereupon the following occurred:

A. Is it allowable for me to read that?

Q. Yes, indeed; I am asking you about this paragraph, from here to there (indicating).

A. I am afraid I have no idea. I cannot recollect anything of the occasion I advised that.

(Testimony of Mr. Alfred Tregear Chenhalls.)

Q. Well, Mr. Chenhalls, would it by any chance be that, having a contract with the London organization of M.G.M. and having it entered into with Mr. Laughton personally and having the contract provide that certain pictures be made in England, and certain pictures here, you were giving any consideration to the fact that Mr. Laughton might by that arrangement avoid taxes in America?

A. It was partly that.

Q. That was part of the reason for making that suggestion?

A. Oh, having had the warning of what you were able to do for us in 1934 and 1935, from 1936 on we were going to be much more careful and be forewarned.

Q. Now, directing your attention to the top of page three of this same letter, I will ask you how you arrived at the conclusion therein reading:

"My calculation of the American income tax you owe to date is $58,000.00. This is based on the assumption (with which Green agrees) that your setup for American tax purposes will go down all along the line." [56]

Just who is the Green to whom you refer?

A. Associate to Loyd Wright.

Q. The gentleman sitting here at the table (indicating). A. Yes.

(Testimony of Mr. Alfred Tregear Chenhalls.)

Q. What did you mean by the statement: "This is based on the assumption (with which Green agrees) that your setup for American tax purposes will go down all along the line"?

A. That means that you're contention will succeed—I hope I am wrong.

Mr. Milliken: If your Honor please, I move that all testimony be stricken with reference to the letter of July 10, 1936, written by Mr. Chenhalls to Mr. Laughton, first, because it is past the year 1934-1935, and also that it expresses a conclusion which Charles Laughton should not be bound by an accountant, or by an attorney, or by anybody else who might give an opinion, that Mr. Laughton, the petitioner here, is not bound by a hearsay rule of what somebody may have thought about some tax problem. It does not prove any issue of this case. It is immaterial whether Mr. Green or Mr. Chenhalls or I thought something was right or wrong. It is incompetent, irrelevant and immaterial.

The Member: The objection is overruled and the motion denied.

Mr. Milliken: I note an exception.

The Member: The exception is noted.

For the year 1934, no expenditures were made by the corporation in the production of motion pictures. We paid Mr. Laughton's salary for 1934.

(Testimony of Mr. Alfred Tregear Chenhalls.)

As to whether we made any expenditures in connection with his profession as an actor:— Yes, we did things like paying $110.00 to Variety Magazine for an advertisement. We paid Mr. Laughton a large sum by way of loans because of the extra expenses caused to him in living in London and Hollywood simultaneously. For the year ended April 30, 1935, the total amount loaned to Mr. Laughton was $22,520.00. Those loans were never paid back, but they are secured.

Q. Well, as a matter of fact, Mr. Laughton owns the company anyway, does he not?

A. In the last extreme, yes.

Q. Well, he is owner of the beneficial stock?

A. Yes. [57]

We made additional loans, ending the second year, ending April 30, 1936, of $78,625.00; that was doubly secured because nearly all of it was spent in the purchase of a valuable painting and of a leasehold in London which Mr. Laughton regards as much better, more appreciated than what are commonly called gilt-edged securities, and it was collaterally secured by life policies of $100,000.00. This was made to enable him to purchase a valuable painting and also some real estate too. The painting and the real estate were not hypothecated to secure this loan. There is no process under English law by which a painting can be hypothecated; there is no

(Testimony of Mr. Alfred Tregear Chenhalls.)
such thing as a chattel mortgage. It was secured by his property which he lived in. Mr. Laughton lives in this property on which he borrowed the money to make the purchase. It is a very large home and two floors of it are reserved primarily as offices of the company. And then there was further security by Mr. Laughton assigning two policies of insurance of $50,000.00 each, at five percent per annum, interest, the company to maintain the premiums. The company is the beneficiary on Mr. Laughton's life. In those two years, no premiums were paid by the company; Mr. Laughton, himself, paid it, about $6,000.00 premium. It was not until the third year of the company that it occurred to us that the loan account of Mr. Laughton did not seem immediately likely to become payable, because we were saving every penny to invest in the Mayflower Pictures Corporation. As to what other sums were paid to Mr. Laughton by the company in 1934-1935, for his professional services: these charges to Mr. Loyd Wright were all in connection with film contracts. I [58] think I told you that those were $8,000.00. We paid $8,000.00 to Mr. Loyd Wright, a practicing attorney in this city, in two different sums, $5,000.-00 at one time, and $3,000.00 at another. The first $5,000.00 payment was made the second of January, 1935, and the other one on December 10th, 1935. That payment was made for services in connection with contracts between the corporation and film

(Testimony of Mr. Alfred Tregear Chenhalls.)

studios, and services in connection with proposed contracts between the corporation and film studios, which did not materialize. I cannot answer you from knowlege as to whether any portion of that $5,-000.00 payment represents fees for services which Mr. Loyd Wright rendered to Mr. Laughton personally, but I can answer you from inferences. I think I am correct in saying that Mr. Loyd Wright never rendered a bill, and that he did not act until February, 1935, and so, in January, 1935, he would not have rendered a bill for personal services. It is not a fact that some time in 1934 Mr. Loyd Wright acted as attorney in some negotiations for Mr. Laughton in connection with motion picture contracts. He was employed by the corporation. The corporation engaged Mr. Loyd Wright to carry into effect various proposed contracts which had been arranged usually with Myron Selznick, they having been paid for creating liaison between Mr. Laughton and the film studios. As to whether he was also an attorney for Mr. Laughton at the time: I did not know him at the time, but I remember some conversation about Laughton giving a power of attorney to a man he did not know. I think the answer is, no. Referring to payment of $1,060.00 in 1938 to Elsa Lanchester,—Mrs. Charles Laughton—, she was employed to play opposite him in a stage play called Peter Pan. [59]

Q. With reference to the Selznick-Joyce agency, the official name of which is, I believe,

(Testimony of Mr. Alfred Tregear Chenhalls.)

Frank Joyce-Myron Selznick, Ltd., it is true, is it not, that that corporation was an agent, a theatrical agent, of Mr. Laughton during the period 1934-1935, throughout those two years and for some time thereafter?

A. No—in May, 1932, I think, Laughton signed a contract with Frank Joyce-Myron Selznick, for five years. Part of the service agreement of Laughton and Motion Picture & Theatrical Industries, Ltd. provided in a clause that all of the obligations which Laughton had to render in the remaining three years of the contract were taken over by the corporation.

Q. In other words, in May, 1934, when Mr. Charles Laughton entered into a contract for his exclusive services with the British company, he was then under contract with the Frank Joyce-Myron Selznick agency, and that contract was in effect on May 4, 1932?

A. Yes.

Q. So, in making his arrangements with the British company, it was provided that the British company should assume whatever obligations then existed under the contract of May 4, 1932, with Joyce and Selznick?

A. Yes.

(Testimony of Mr. Alfred Tregear Chenhalls.)

Redirect Examination

Referring to the $150,000.00 investment in Mayflower Picture Corporation, Ltd., and as to whether it was a corporation like one that might merely go out and make a stock investment:— It was not a domestic investment. The corporation, in the same year, made investments of the kind you mention in gilt-edged securities, of $175,000.00. That is, $150,000.00 was invested in Mayflower Pictures, Ltd., sheerly for the purpose of making a profit, as large a profit as possible, both as regards income and capital. As regards income, there is no fixed rate of interest on this capital. It will just absorb as much of the profit as is left after paying the directors, fees, and income tax—that is, English [60] income tax. As regards capital, it will eventually be possible to sell out their shares at an enormous profit, such as is being done in the case of other organizations which start with smaller stakes. For instances, the United Artists started with an initial stake of $5,000.00.

Recross Examination

Under our British system of taxation, we have no capital gains tax. So, when we sold this investment there would be no tax to pay. This money was used to purchase what we call "ordinary shares"; that is equivalent to what you call "common stock".

Thereupon, the parties stipulated as follows: The taxpayer left England on May 5, 1934, arrived in Los Angeles on May 14th, and commenced acting in "The Barretts of Wimpole Street" on May 14, 1934, for Metro-Goldwyn-Mayer Corporation. With the exception of two retakes on July 6, 1934, and on July 17, 1934, the picture was finished on June 19, 1934. Taxpayer was engaged in making this picture five weeks and four days at $8,000.00 per week. Metro-Goldwyn-Mayer Corporation paid as compensation $45,333.33.

A copy of contract between Charles Laughton and Frank Joyce-Myron Selznick, Ltd., Agency, dated May 4, 1932, was received in evidence and is hereby included and will be designated as a part of this statement of evidence.

Whereupon, the following occurred: [61]

Mr. Baird: I next offer in evidence a copy of a night cable letter dated December 22, 1933, from Thalberg—I may say that that is the late Irving Thalberg of Metro-Goldwyn-Mayer—to Frank Joyce of the Joyce-Selznick Agency of London.

Mr. Milliken: May I ask the purpose for which that exhibit is offered?

Mr. Baird: This exhibit and the series which follows is offered to indicate to your Honor that prior to May, 1934, when the British contract was entered into between Laughton and his own British company, that negotiations

had been pending for a long period of months between Laughton and Metro-Goldwyn-Mayer, and Paramount, and Joyce-Selznick, relative to his contemplated activities in the motion picture field, and negotiations had been carried on up to the point where they were finally consummated when the British company was organized, and it is in furtherance of our theory of the case, your Honor, that this is one of those cases where the petitioner by organizing a corporation seeks to transfer the tax liability on his personal services, which are unique in this particular field, and thus avoid tax liability. This is a link in the chain of circumstances in support of our theory of the case.

Mr. Milliken: As Mr. Baird has stated, as to this document which he offers, as well as a long series which I presume will follow——

Mr. Baird: (Interposing) I have a dozen of them.

Mr. Milliken: (continuing) —I do not object on the ground that they are not the original documents, because they are taken from our file which I gave him. So, I am sure they are authentic, but I object to them on the ground that this petitioner cannot be bound by what is heard of two people talking by cable, and Mr. Laughton was not a party to that conversation.

Mr. Baird: Well, may I say that Mr. Laughton was, in effect, a party to the conversation, because we have here this exhibit A which shows full power and authority to represent Charles Laughton as manager and personal representative, and this is a communication between Irving Thalberg, one of the executives of Metro-Goldwyn-Mayer, and the Joyce Selznick Agency which the evidence now shows was Laughton's duly and regularly constituted agent.

Mr. Milliken: It makes mention of pictures which were never made.

Mr. Baird: That part is immaterial.

Mr. Milliken: And incidents which never occurred. [62]

The Member: Well, it will be identified as Respondent's Exhibit B and received in evidence for what it is worth.

(The said cable letter, so offered and received in evidence, was marked Respondent's Exhibit B, and made a part of this record.)

Mr. Milliken: If your Honor please, and then, I won't bother Mr. Baird any more, but I do object on the ground that it is incompetent, irrelevant and immaterial and proves no fact in this case that it is for a period of time prior to the organization of this corporation.

The Member: The objection will be over-

ruled, and exception noted, on each of the exhibits now being offered.

Counsel for the Commissioner offered in evidence a cablegram dated January 15, 1934, signed "Seljoy", and addressed to "Joysel, Beverly Hills". It was stipulated that "Seljoy" and "Joysel" are the cable names of the Joyce-Selznick people. Said cablegram was received in evidence as Commissioner's Exhibit C, and is hereby included and will be designated as a part of this statement of evidence.

A copy of a cablegram dated January 10, 1934, from London, from "Seljoy" to "Joysel", Beverly Hills, California, was received in evidence as Commissioner's Exhibit D, and is hereby included and will be designated as a part of this statement of evidence.

It was stipulated that the cable names of "Joysel" and "Seljoy" are the cable names used by the Frank Joyce-Myron Selznick agency, one representing the American office, and the other their London office.

A copy of a cablegram dated March 6, 1934, signed "Frank", and addressed to "Joysel, Beverly Hills, California," was received in evidence as Commissioner's [63] Exhibit E, and is hereby included and will be designated as a part of this statement of evidence.

A copy of a registered letter addressed by "Frank Joyce-Myron Selznick, Ltd.," to "Paramount Productions, Inc.", dated March 8, 1934, was received

in evidence as Commissioner's Exhibit F, and is hereby included and will be designated as a part of this statement of evidence.

A copy of a letter dated March 15, 1934, addressed to "Frank Joyce-Myron Selznick, Ltd.," at 9460 Wilshire Boulevard, Los Angeles, California, and signed "Paramount Productions, Inc., by Henry Herzbrun, Assistant Secretary," was received in evidence as Commissioner's Exhibit G, and is hereby included and will be designated as a part of this statement of evidence.

Counsel for the Commissioner offered in evidence a copy of a cablegram dated March 20, 1934, to "Laughton", signed "Frank". It was stipulated that "Frank" is Frank Joyce of Joyce-Selznick. Said cablegram was received in evidence as Commissioner's Exhibit H, and is hereby included and will be designated as a part of this statement of evidence.

Counsel for the Commissioner offered in evidence a copy of a cablegram dated April 13, 1934, addressed to Charles Laughton and signed "McCormick". It was stipulated that "McCormick" was an employee of the Selznick-Joyce Agency. Said cablegram was received in evidence as Commissioner's Exhibit I, and is hereby included and will be designated as a part of this statement of evidence. [64]

Counsel for the Commissioner offered in evidence a copy of a cablegram dated April 15, 1934, addressed to Charles Laughton, Burycourt Germyn

St., London, and signed "Myron", it being stipulated that that is Myron Selznick. Said cablegram was received in evidence as Commissioner's Exhibit J, and is hereby included and will be designated as a part of this statement of evidence.

Counsel for the Commissioner offered in evidence a copy of a cablegram dated April 17, 1934, addressed to Charles Laughton, Burycourt, Germyn Street, London, England, and signed "Irving Thalberg". It was stipulated that "Irving Thalberg" was an official of Metro-Goldwyn-Mayer. Said cablegram was received in evidence as Commissioner's Exhibit K, and is hereby included and will be designated as a part of this statement of evidence.

A copy of a night letter cable dated April 24, 1934, addressed to "Seljoy" and signed "Joysel" was received in evidence as Commissioner's Exhibit L, and is hereby included and will be designated as a part of this statement of evidence.

Counsel for Commissioner offered in evidence a copy of a memorandum dated April 30, 1934, addressed to "Mr. McCormick", and signed by "Sig Marcus, Executive Office", it being stipulated that both the sender and the recipient are officials or employees of Joyce-Selznick Agency. Said memorandum was received in evidence as Commissioner's Exhibit M, and is hereby included and will be designated as a part of this statement of evidence. [65]

A copy of a cablegram dated April 14, 1934, addressed to "Joysel" and signed "Seljoy", was

received in evidence as Commissioner's Exhibit N, and is hereby included and will be designated as a part of this statement of evidence.

Counsel for the Commissioner offered in evidence a memorandum addressed to "Mr. Myron Selznick", dated May 14, 1934, and signed "Lovett". It was stipulated that "Lovett" is an employee of Joyce-Selznick Agency. Said memorandum was received in evidence as Commissioner's Exhibit O, and is hereby included and will be designated as a part of this statement of evidence.

Counsel for the Commissioner offered in evidence a copy of a memorandum addressed to "Messrs. McCormick, Deverich, Ham, Townsend, Bender and Simpson", dated May 15, 1934, and signed "Sig Marcus, Executive Office", it being stipulated that he is an official or agent of the Joyce-Selznick Agency. Said memorandum was received in evidence as Commissioner's Exhibit P, and is hereby included and will be designated as a part of this statement of evidence.

A copy of a cablegram dated May 18, 1934 addressed to "Seljoy", London, and signed "Joysel", was received in evidence as Commissioner's Exhibit Q, and is hereby included and will be designated as a part of this statement of evidence.

Counsel for Commissioner offered in evidence a copy of a letter dated July 10, 1936, addressed to Charles Laughton, Esq., written by Mr. Chenhalls, the witness who was on the stand, and identified by him. Counsel for taxpayer [66] objected

to its admission on the grounds of immateriality and incompetency. The objection was overruled, an exception noted, and the letter was received in evidence as Commissioner's Exhibit R, and is hereby included and will be designated as a part of this statement of evidence. It was stipulated that the Board may disregard any pencil notations. [67]

The foregoing is all of the material evidence adduced at the hearing before the Board of Tax Appeals, and the same is approved by the undersigned, as attorney for the respondent on review.

(s) JOHN B. MILLIKEN
Attorney for Respondent on Review.

The foregoing evidence is all of the material evidence adduced at the hearing before the Board of Tax Appeals, and the same is approved by the undersigned, J. P. Wenchel, Chief Counsel, Bureau of Internal Revenue, as attorney for the Commissioner of Internal Revenue.

(Signed) J. P. WENCHEL.
RLW
Chief Counsel,
Bureau of Internal Revenue

Approved and ordered filed this 22nd day of Dec., 1939.

(s) WILLIAM W. ARNOLD
Member

[Endorsed]: U.S.B.T.A. Lodged Dec. 21, 1939. Filed Dec. 22, 1939. [68]

[Title of Board and Cause.]

STIPULATION OF FACTS

It is hereby stipulated and agreed by and between the parties hereto, through their respective counsel of record, that the following are true and material facts involved in this cause and may be found as facts by the Board of Tax Appeals.

I.

Charles Laughton, the petitioner herein, is a subject of Great Britain and has throughout his life, including at all times pertinent to this proceeding, been a resident of and domiciled in England. He is a motion picture actor, well known in both Great Britain and the United States.

II.

In 1932 he came to the United States and was engaged by Paramount-Publix Corporation, predecessor of Paramount Productions, Inc., in the following pictures: "Devil and the Deep", "Sign of the Cross", "Island of Lost Souls", "If I Had a Million". During said year he also played in "The Old Dark House" for Universal [69] Pictures Corporation under a loan of his services by Paramount-Publix Corporation to said Universal Pictures Corporation.

III.

On March 29, 1933, he entered into a contract with Paramount Productions, Inc., under the terms

of which there was produced in said year "White Woman". A true and correct copy of said contract is attached hereto, marked Exhibit "A", referred to and by this reference made a part hereof.

IV.

Under date of September 15, 1933, Paramount Productions, Inc. exercised its option as provided in Paragraph Twelfth of said contract of March 29, 1933, and notified the petitioner of its intention in reference thereto by letter, a true and correct copy of which is set forth herein:

"September 15, 1933.

"Mr. Charles Laughton,
Hollywood, California.

Dear Mr. Laughton:

Please take notice that under signed corporation hereby elects to exercise the option granted in Paragraph TWELFTH of an agreement between you and the undersigned corporation bearing date the 29th day of March, 1933, for your service in one motion picture photoplay to be produced between the periods commencing April 15, 1934, and terminating September 15, 1934, and upon all the other terms and conditions set forth in said agreement.

Very truly yours,
(signed) PARAMOUNT PRODUCTIONS INC.
By ALBERT A. KAUFMAN,
Assistant Secretary." [70]

V.

After completing the picture referred to in Paragraph III above, the petitioner returned to England and on April 30, 1934, a corporation bearing the name of Motion Picture and Theatrical Industries Limited was organized under and by virtue of the laws of Great Britain, and specifically under the English Companies Act of 1929. A true and correct copy of said act is attached hereto, marked Exhibit "B", referred to and by this reference made a part hereof. A true and correct copy of the Memorandum and Articles of Association and the First Schedule to The Companies Act, 1929 (Table A) constituting Regulations for Management of a Company Limited by Shares is attached hereto, marked Exhibit "C", referred to and by this reference made a part hereof. The principal place of business of Motion Picture and Theatrical Industries Limited has been at all times since its formation and now is London, England. The petitioner has been at all times since the organization of said corporation the real beneficial owner of all of its outstanding stock except qualifying shares.

VI.

On May 4, 1934, in London, England, petitioner and Motion Picture and Theatrical Industries Limited executed a certain document, a true and correct copy of which is attached hereto, marked Exhibit "D", referred to and by this reference made a part hereof. [71]

VII.

Under date of May 4, 1934, F. M. Guedalla & Company, Solicitors of London, England, wrote to the petitioner's theatrical agents in the United States, Frank Joyce-Myron Selznick, Ltd., of Beverly Hills, California. A true and correct copy of said letter is attached hereto, marked Exhibit "E" referred to and by this reference made a part hereof.

VIII.

On May 22, 1934, Frank Joyce-Myron Selznick, Ltd., replied to the aforesaid letter. A true and correct copy of said reply is attached hereto, marked Exhibit "F", referred to and by this reference made a part hereof.

IX.

Under date of June 8, 1934, Loyd Wright wrote to Loeb, Walker & Loeb, attorneys for Metro-Goldwyn-Mayer Corporation, relative to services of the petitioner. A copy of said letter is attached hereto, marked Exhibit "G", referred to and by this reference made a part hereof.

X.

On the 5th day of July, 1934, Paramount Productions, Inc., and Charles Laughton, the petitioner herein, executed the following document:

[72]

"July 5, 1934.

"Mr. Charles Laughton,
Hollywood, California.

Dear Mr. Laughton:

This will confirm our understanding and it is hereby agreed that our agreement with you bearing date of the 29th day of March 1933, be and the same is hereby terminated as of July 4, 1934, at the end of such day, and we hereby respectively release and discharge each other from any and all obligations arising out of or that may arise out of the said agreement.

Kindly sign under the word 'Accepted' below and return this letter for our files, retaining the enclosed duplicate original.

Yours very truly,
PARAMOUNT PRODUCTIONS INC.
By: HENRY HERZBRUN
Assistant Secretary."

Accepted:
CHARLES LAUGHTON"

XI.

On the 5th day of July, 1934, Motion Picture and Theatrical Industries Limited entered into an agreement with Paramount Productions, Inc., relative to the services of the petitioner herein. A true and correct copy of said contract is attached hereto,

marked Exhibit "H", referred to and by this reference made a part hereof. [73]

XII.

On the 6th day of July, 1934, Motion Picture and Theatrical Industries Limited entered into an agreement with the said Metro-Goldwyn-Mayer Corporation relative to the services of the petitioner herein. A true and correct copy of said agreement is attached hereto, marked Exhibit "I", referred to any by this reference made a part hereof.

XIII.

Subsequently, and on the 25th day of August, 1934, said agreement entered into by and between Motion Picture and Theatrical Industries, Limited and Metro-Goldwyn-Mayer Corporation, as aforesaid, was altered by agreement of the parties thereto in several respects. A true and correct copy of the correspondence embodying the changes to be made in said agreement is attached hereto, marked Exhibit "J", referred to and by this reference made a part hereof.

Likewise, on said 25th day of August, 1934, Motion Picture and Theatrical Industries Limited and Metro-Goldwyn-Mayer Corporation reduced said prior agreement as amended to writing and executed said new agreement on said date. A true and correct copy of said agreement, dated the 25th day of August, 1934, is attached hereto, marked Ex-

hibit "K", referred to and by this reference made a part hereof.

XIV.

On the 21st day of December, 1934, Motion Picture and Theatrical Industries Limited entered into an agreement with Twentieth Century [74] Pictures, Inc., a corporation organized under the laws of New York, and having its principal place of business in the County of Los Angeles, State of California. A true and correct copy of said agreement is attached hereto, marked Exhibit "L", referred to and by this reference made a part hereof.

XV.

Pursuant to the terms of the contracts and agreements referred to herein, petitioner rendered services as a motion picture actor in the production of motion pictures in the studio of Metro-Goldwyn-Mayer Corporation, Twentieth Century Pictures, Inc., and Paramount Productions, Inc. from time to time during the years 1934 and 1935. For said services so rendered said studios paid to Motion Picture and Theatrical Industries Limited the following sums in the following calendar years:

	1934	1935
Metro-Goldwyn-Mayer Corporation	$45,333.33	$119,230.76
Paramount Productions, Inc.	48,000.00	6,000.00
Twentieth Century Pictures, Inc.		65,000.00
	$93,333.33	$190,230.76

XVI.

Prior to turning over and paying to Motion Picture and Theatrical Industries Limited the sums set out in the foregoing paragraph, said [75] studios deducted from the sums paid over to Motion Picture and Theatrical Industries Limited as and for income tax withheld at the source, pursuant to Section 144 of the Revenue Act of 1934, the following sums at the following times:

	1934	1935
Metro-Goldwyn-Mayer Corporation	$ 6,233.33	$16,394.24
Paramount Productions, Inc.	6,600.00	825.00
Twentieth Century Pictures, Inc.		8,937.50
Total	$12,833.33	$26,156.74

Said studios paid over to the Collector of Internal Revenue for the Sixth Internal Revenue Collection District of California said sums so withheld as income tax pursuant to Section 144 of the Revenue Act of 1934 during the years 1934 and 1935.

XVII.

At all times pertinent to this proceeding Loyd Wright was the duly appointed attorney in fact of Motion Picture and Theatrical Industries Limited; and that since February 19, 1935, the said

Loyd Wright has been the duly appointed attorney in fact of the petitioner.

CLAUDE I. PARKER
JOHN B. MILLIKEN
Counsel for Petitioner.

ACB/cvl 6/24/38

J. P. WENCHEL
Chief Counsel,
Bureau of Internal Revenue,
Counsel for Respondent. [76]

EXHIBIT "A"

STIPULATION OF FACTS

Agreement made this 29th day of March, 1933, between Paramount Productions, Inc., a Delaware corporation, hereinafter referred to as the "Corporation", and Charles Laughton, hereinafter referred to as the "Artist":

First: The Corporation hereby employs the Artist to act, play, perform and take part in two (2) motion picture photoplays, with the photographing of which sound, including spoken words, songs, and music may be synchronously recorded by mechanical and/or electrical means, and in rehearsals, acts, parts and scenes thereof, including the rendition of speaking parts and musical numbers for and as directed by the Corporation at its studio at Hollywood, California, and at such studios and on such locations as the Corporation

may from time to time designate, which two (2) motion picture photoplays are to be produced during the period commencing on or about the 12th day of June, 1933, (upon which date the Artist agrees to appear at the Studios of the Corporation at Hollywood, California, ready to render his services in the first motion picture production to be made pursuant hereto), and terminating on the 15th day of September, 1933.

Second: The Artist hereby accepts the said employment and agrees to give his entire time and attention and devote his best talents and abilities to the services of the Corporation and/or such other person, firm or corporation as, when and where the Corporation may direct during the term of his agreement.

Third: In full consideration for the services to be rendered by the Artist pursuant hereto, and for the option hereinafter granted, the Corporation agrees to pay to the Artist and the Artist agrees to accept salary at the rate of Two Thousand Five Hundred ($2,500.00) Dollars per week for not less than five (5) weeks for the services of the Artist in the first production; [77] and salary at the rate of Two Thousand Seven Hundred Fifty ($2,750.00) Dollars per week for not less than five (5) weeks for the services of the Artist in the second production, payments of which salary are to be made to the Artist on the Wednesday following the end of each week for which the Artist shall be entitled to salary pursuant hereto.

Fourth: If the Artist's services shall be required in the respective productions in excess of the number of weeks specified therefor, the Artist agrees to continue to render his services for such additional consecutive period with respect to each production as the Corporation shall require, and the salary agreed to be paid to the Artist for the respective productions shall be paid to him until his services in each production are completed. For any incomplete week after the last full week, however, the Artist's salary shall be pro-rated on the basis of a six-day week. It is understood, however, that for the purposes hereof, the Artist shall not be deemed to be appearing in any production when he shall appear for retakes therefor.

Fifth: The Artist agrees to appear for retakes and/or re-recording of any parts of the motion picture productions to be made hereunder, if any should be necessary in the opinion of the Corporation, after the completion of each of the said productions, at a daily salary of one-sixth of that received by him for his services during the actual production of the motion picture photoplay for which such retakes and/or re-recording may be made. The Artist agrees to appear at the studios of the Corporation for such retakes and/or re-recording within a reasonable time after notice of such necessity shall have been given to him.

Sixth: The Artist hereby grants to the Corporation the exclusive right to use his name, photograph and likeness (and any simulation thereof)

and to record, reproduce, amplify and simulate his voice by electrical and/or mechanical means in each [78] of the motion picture productions to be made hereunder and in advertising, exploiting and exhibiting the same.

Seventh: The Artist agrees that during the intervening period between the date of the completion of his services in the first and/or second motion picture photoplays to be made hereunder and the 15th day of September, 1933, and/or if the Corporation shall exercise the option hereinafter provided for, from the date of the exercise of such option until the 15th day of September, 1934, he will not engage in any act or performance for the production of any other motion picture photoplay for any other person, firm or corporation without first submitting to the Corporation in writing the terms of any bona-fide offer which is acceptable to him and which he may receive from any person, firm or corporation other than the Corporation, to appear in motion pictures. The Corporation may accept such terms within ten days after such submission, and upon such acceptance the Corporation and the Artist will immediately execute a contract with respect to such additional motion picture or motion pictures embodying the agreed terms. Should the Corporation not accept such terms, then the Artist shall be free to render his services to such other person, firm, or corporation for such production, provided that the role in which he may be cast therein and the billing to be accorded him in con-

nection with such motion picture photoplay shall be satisfactory to and approved by the Corporation, which approval shall not be unreasonably withheld, and provided further that the Corporation for which he may so appear shall be one whose pictures are released in first-class houses in key cities in the United States, *n*and provided also that his appearance in any such production shall in no way interfere with his rendition of his services to the Corporation pursuant hereto. [79]

The foregoing provision, however, shall not be construed to prevent the Artist from appearing on the legitimate stage in the performance of plays by living actors during the periods aforementioned, provided that such appearance does not interfere with the full rendition of his services for the corporation pursuant hereto.

Eighth: The Artist further agrees to speak the dialogue of any parts or roles in which he may be cast pursuant hereto, at such times and places designated by the Corporation in radio broadcasting, either singly or in conjunction with other players employed by the Corporation, for the purpose of advertising and exploiting any motion picture productions in which he may appear, provided the other engagements of the Artist so permit, and the Artist further grants to the Corporation the right to broadcast by radio broadcasting from the records made by the Artist pursuant hereto.

Ninth: The Corporation agrees to furnish the Artist and his wife with first-class transportation

from London, England, to Los Angeles, California, with drawing-room from New York City, New York to Los Angeles, California, and provided the Artist returns to London, England, immediately upon the completion of his engagement for the Corporation, the Corporation agrees to furnish the Artist and his wife with like transportation from Los Angeles, California, to London, England.

The Corporation agrees to provide the Artist with first-class transportation whenever the Artist is required to travel in rendering his services for the Corporation and to defray his necessary living expenses when rendering services hereunder on location, except when in or near the cities of Los Angeles, California, or New York, New York.

Tenth: If the Artist should be unable or [80] should fail to render his services in any of the said productions continuously after the photographing of the same shall have commenced, or to proceed on the date set by the Corporation for such commencement, the Corporation may, at its election, terminate this agreement or, by giving the Artist written notice of its intention so to do, extend the pending period hereof for a period equal to the time during which such disability or non-performance shall continue and the date for the exercise of the option herein contained shall be correspondingly postponed; but in the event such disability or nonperformance shall be due to illness, injury, or accident then the Corporation may not terminate this

agreement unless such illness, injury or accident shall continue for one (1) week. Such election shall be without prejudice to any right or remedy of the Corporation for failure to perform on the part of the Artist. Should the Corporation pay the Artist salary during any period of incapacity or failure to perform the time of such non-performance shall, nevertheless, be added to any period so interrupted and the salary paid to the Artist during such non-performance shall be treated as payment for the Artist's services during the time so added. The payment of salary to the Artist during any such period of incapacity or failure to perform shall be wholly optional with the Corporation and shall not constitute a waiver of any right hereunder or any provision hereof.

Eleventh: Should the Corporation be prevented from making motion pictures by epidemic, fire, action of the elements, strikes, labor disputes, governmental order, court order, the act of God, or a public enemy, war, riots, civil commition, or other causes beyond the control of the Corporation, whether of the same or any other nature, then the operation of this agreement may be suspended during such interruption. Upon the resumption of work by the Corporation, a period of time equal to the [81] period of such interruption shall be added at the end of the period so interrupted and the date for the exercise of the option herein contained shall be correspondingly postponed. If such interruption

shall continue beyond six (6) weeks, the Artist shall be free to terminate this agreement, unless the Corporation shall then resume payment hereunder.

Twelfth: The Artist hereby grants to the Corporation an option upon the Artist's exclusive services in one (1) motion picture photoplay to be produced between April 15, 1934, and September 15, 1934, at the salary at the rate of Three Thousand ($3,000.00) Dollars per week for not less than five (5) weeks for his services in such production.

The Corporation may exercise the foregoing option by giving the Artist written notice of its intention so to do not later than September 15, 1933. Thereupon the Artist and the Corporation shall be obligated to each other upon the terms and conditions herein provided, except for the salary provision specified with reference to the said option period.

Provided the Corporation shall have exercised the foregoing option, the Artist agrees to give the Corporation written notice not later than March 1, 1934, of the date upon which the Artist shall be ready to render his services pursuant to such option and after receipt of such notice, but not later than April 1, 1934, immediately following, the Corporation agrees to give the Artist written notice of the date during such option period upon which the Artist shall report at the Studios designated by the Corporation, ready to render his services during such period.

Thirteenth: Any notice required to be given hereunder by the Corporation to the Artist shall be sufficiently given by mailing the same by registered mail in a post-paid wrapper, or by [82] telegraphic communication, addressed to the Artist in care of Frank Joyce-Myron Selznick Ltd., the Artist's agents, or by personally delivering the same to said Frank Joyce-Myron Selznick Ltd. The date of the mailing of notice of exercise of option or notice to appear, or the personal delivery thereof, shall be the date of the exercise of such option or the giving of such notice.

Any notice required to be given to the Corporation by the Artist shall be given by mailing the same by registered mail in a postpaid wrapper, or by telegraphic communication, addressed to the Corporation at 5451 Marathon Street, Hollywood, California.

Fourteenth: The Artist hereby warrants that he is free to enter into this agreement and render the services pursuant hereto.

Fifteenth: It is mutually understood and agreed that the Artist's services are extraordinary, unique and not replaceable, and that there is no adequate remedy at law for a breach of this agreement by the Artist; and that the Corporation, in the event of such breach or threatened or attempted breach, by the Artist, shall be entitled to equitable relief by way of injunction or otherwise.

In Witness Whereof, the parties hereto have executed these presents the day and year first above written.

PARAMOUNT PRODUCTIONS, INC.
By: (Signed) E. COHEN
Vice President
(Signed) CHARLES LAUGHTON (L. S.) [83]

Dated 29th day of March, 1933.

Paramount Productions Inc.
and
Charles Laughton

Copy
AGREEMENT

F. M. Guedalla & Co.,
Grand Buildings,
Trafalgar Square,
W. C. 2. [84]

EXHIBIT "D"

STIPULATION OF FACTS

This Agreement made in duplicate the fourth day of May 1934 Between Motion Picture and Theatrical Industries Limited of 6, Talbot House, 98 St. Martin's Lane in the County of London (hereinafter called "the Employer") of the one part and Charles Laughton of 34, Gordon Square in the

County of London (hereinafter called "the Employee") of the other part.

Whereas the Employee in virtue of a contract made between him and London Film Productions Limited on the 3rd November 1933 is entitled to a sum equal to 10% of the Producer's gross receipts for the film called "The Private Life of Henry VIII" in the United States of America and in the British Empire (exclusive of the British Isles) and as part of the consideration hereinafter appearing has agreed to assign such percentage to the Employer.

And Whereas the Employee entered into an agreement dated the 26th February 1934 with the said London Film Productions Limited whereby subject to the terms and conditions thereof he has agreed to take part in films which London Film Productions Limited proposes to produce at future dates and the Employee as part of the consideration hereinafter appearing has agreed to assign to the Employer the benefits and any monies arising out of the said agreement of the 26th February 1934 a copy of which has been supplied (as the Employer acknowledges) by the Employee to the Employer signed for identification by the Employee.

And Whereas at the request of the Employer the Employee is about to proceed to Los Angeles in the State of California to render such services as may be reasonably directed by the Employer but subject as hereinafter provided in various theatrical or cinematographic activities in the United

States of America or elsewhere outside the British Isles.

Now It Is Hereby Agreed as follows:

1. For and in consideration of the premises and of Five Shillings paid (as is hereby acknowledged) by each party to the other party the Employer is to have the sole and exclusive services of the Employee and the Employee will give his sole and exclusive services to the Employer for a period of five years from the date of this agreement, the Employer undertaking and hereby agreeing to pay every week to the Employee at such Bank or Banks as from time to time the Employee may direct the sum of £150, time being of the essence of this agreement, the Employee having the right to determine same peremptorily if the Employer at any time shall be in arrears as to the payment of any weekly sum without justification for a period exceeding 14 days.

2. In consideration of the premises the Employer will forthwith pay to the Employee to such Bank or Banks as he shall designate an advance sum equivalent to £3,900 representing 26 weekly sums, of which £1,500 shall be transmitted to Hollywood at the Employer's expense. [85] In the case of any payments to Banks outside the British Isles the Employer will pay the expenses entailed by remittance, exchange and the cost thereof. From time to time as occasion may arise the Employee shall have the right to demand payment in advance for any period not exceeding fifteen weeks at any time

from the time that he shall notify such requirement to the Employer.

3. During the period of 5 years as from the date of this agreement the Employee subject as hereinafter mentioned in Clauses 13 and 14 hereof will perform and render his services as an actor in such cinematographic and theotrical productions and be otherwise associated with same as may be directed and required by the Employer.

The Employee will make personal appearances in motion picture theatres and/or other places of entertainment or as a radio performer not only by broadcasting in person but also by making electrical transcriptions and by any other present or future methods or means and will render his services as an actor in television productions and will render services in connection with broadcasting and/or transmission of his likeness or voice by means of television, radio or otherwise. He will promptly and faithfully comply with all reasonable directions, requests, rules and regulations made by the Employer or any Producer with whom the Employer shall be in contact in connection with the services to be performed by the Employee.

During the term of this Agreement the Employee will not render his services as an actor, or pose, act, appear, write, direct or render any other services except as provided in Clause 13 hereof in any way connected with motion pictures or the theatre or in connection with any of his abovementioned services otherwise than as may be ap-

proved and directed by the Employer without the written consent of the Employer first had and obtained.

4. The Employee will not consent to nor permit any other person to advertise, announce or make known, directly or indirectly, by paid advertisements, press notices, or otherwise, that he has contracted to do or perform any act or services contrary to the terms of this agreement. The Employer shall have the right to institute any legal proceedings in the name of the Employee or otherwise to prevent such acts or any of them. The Employer from time to time and at all times in lending the services of the Employee to third parties shall give third parties if desirable or necessary similar rights to those mentioned in this clause.

5. The Employee expressly gives and grants to the Employer or third parties with whom it may contract for the purpose the sole and exclusive right to photograph and/or otherwise reproduce any and all of his acts, poses, plays and appearances of all kinds during the term hereof and to record his voice in any theatrical or cinematographic productions or for the purposes of radio broadcasting and television as well as in connection with the advertising and/or exploitation of any service which may be required of the Employee hereunder. The Employee shall have the right to "double" or "dub" [86] the acts, poses, plays and appearances of the Employee as well as his voice and all sound effects to be produced by the Em-

ployer, such "doubling" or "dubbing" to be in English and/or in any other language or languages designated or desired by the Employer or third parties contracting with it as may be directed by the Employer. The Employee shall at no time during the term of this Agreement grant similar rights to or permit any person, firm or Corporation other than the Employer or persons in contact with it to make use of his name or to make use of or distribute his pictures, photographs or other reproductions of his physical likeness or of his voice and authorises the Employer in the name of the Employee or otherwise to institute any proper legal proceedings to prevent such acts or any of them. Any copyright of and in any films or photographs of any work done by the Employee hereunder shall be vested in the Employer. The Employee by his signature hereto hereby gives the Employer any and all consents which the Employer may require under the Dramatic & Musical Performance Act 1925 to make use of the services given by the Employee and mutatis mutandis similar consents with regard to services outside the United Kingdom and Northern Ireland.

6. In no case will the Employee be bound to give any services as aforesaid except in connection with a theme and treatment of such theme and general casting and dates for production of a film or theatrical or other performance as may be reasonably required on his part, and more particularly as concerns the part which he shall be requested to

enact, the same is to be a part which shall be agreeable to him, and the Director of the film or the Producer of the theatrical performance is to be a person who is also agreeable to him.

7. The Employee hereby expressly gives and grants to the Employer the right to lend the services of the Employee to any other person or persons firm or company in any capacity in which the Employee is required to render his services hereunder upon the distinct understanding and condition, however, that this contract shall nevertheless continue in full force and effect and that the Employee shall not be required to do any act or perform any services contrary to the provisions of this agreement. Any breach by any such person or persons, firm or company of any of the terms of this agreement shall not constitute a breach by the Employer of its obligations or covenants in this agreement, nor shall the Employee have the right to terminate this agreement by reason of any such breach by any such person or persons, firm or company. In the event that the Employee is required to render services to any other person or persons, firm or company as herein provided he agrees to render same to the best of his ability. Should the services of the Employee be loaned to any other person or persons, firm or company, hereunder such other person or persons, firm or company, shall be entitled to the same incidental advertising and other rights in connection with services rendered by the Employee for such other person or persons, firm or company as

are given to the Employer under the terms of this agreement. While the Employer is entitled to [87] make such terms and conditions with any such person or persons, firm or company as above provided, the Employee shall not be bound to any such person or persons, firm or company unless he duly and regularly receives from the Employer at their due dates the above-mentioned weekly sums. In entering into any such contracts with third parties, videlicet such person or persons, firm or company, the Employer will be acting at its own risk as to whether it makes a profit or a loss on any particular transaction.

8. In the event that the Employer desires at any time or from time to time to apply, in its own name or otherwise, but at its own expense, for life, health, accident or other insurance covering the Employee, the Employee agrees that the Employer may do so and may take out such insurance for any sum which the Employer may deem necessary to protect its interests hereunder. The Employee shall have no right, title or interest in or to such insurance, but agrees nevertheless to assist the Employer in procuring the same by submitting to the usual and customary medical and other examinations and by signing such applications and other instruments in writing as may reasonably be required by such insurance company or companies.

9. In the event that by reason of mental or physical disability or otherwise the Employee shall

be incapacitated from fully performing the terms of this agreement or complying with each and all of his obligations hereunder or in the event that he suffer any facial or physical disfigurement materially detracting from his appearance on screen or stage or interfering with his ability to perform properly his required services hereunder, or in the event that he suffer any impairment of his voice, then in any of the said events this agreement may be suspended by the Employer during the period of such disability or incapacity or facial or physical disfigurement or impairment of voice, and no compensation need be paid to the Employee during the period of such suspension. The term of this agreement and all its provisions herein contained may be extended at the option of the Employer for a period equivalent to the period of such suspension. If this agreement be suspended as aforesaid, and if the term hereof be extended pursuant to the provisions of the foregoing sentence, and if the Employer shall have paid the Employee any compensation during all or any part of such suspension, then and in that event the Employer shall not be obliged to pay to the Employee any compensation whatsoever during such portion of such extension as shall be equivalent in time to the period for which the Employer has compensated the Employee during such suspension. The Employer at its option in the event of the continuation of such disability or incapacity or facial or physical disfigurement or impairment of

voice for a period or aggregate of periods in excess of three months during the term hereof may cancel and terminate this agreement.

10. No waiver by the Employer of any breach of any covenant or provisions of this agreement shall be deemed to be a waiver of any [88] preceding or succeeding breach of the same or any other covenant or provision.

11. It is distinctly understood and agreed by and between the parties hereto that the services to be rendered by the Employee under the terms hereof and the rights and privileges granted to the Employer by the Employee under the terms hereof are of a special, unique, unusual and extraordinary character which gives them a peculiar value, the loss of which cannot be reasonably or adequately compensated in damages in an action at law, and that a breach by the Employee of any of the provisions herein contained will cause the Employer irredeemable injury and damage. The Employee therefore expressly agrees that the Employer shall be entitled to injunctive, mandatory and other equitable relief to prevent a breach of this agreement by the Employee apart from any other rights and remedies available to the Employer including the Employer's right to determine this agreement in part or altogether, such rights and remedies being cumulative and none of them exclusive of the others or of any right or priority allowed by law.

12. In consideration of the premises the Employee hereby assigns to the Employer any benefits

and rights which the Employee has or may have under and arising from the two said agreements of the 3rd November 1933 and 26th February 1934 with London Film Productions Limited, giving (as he hereby does) to the Employer the right to vary or modify or release the said agreements or either of them as in any way may seem fit to the Employer, the Employer having the right at any time to notify London Film Productions Limited as to these assignments or either of them and to require London Film Productions Limited to accept notice of such assignments and to pay all monies and render all accounts in connection therewith to the Employer.

13. The Employee reserves the right for periods not exceeding four months at a time and not more than eight months in any two calendar years (including for that purpose the remainder of 1934 or beginning of 1939) to act on the stage in theatrical performances as and where he shall think fit with living persons and before audiences of living persons Provided Always that all salaries, emoluments or advantages (if any) derived or deemed to be derived from such theatrical arrangements shall be paid direct to the Employer and that the Employer shall be a party to any contract (the same to be in writing) relating to any such theatrical arrangements, the Employer being under obligation notwithstanding the amount of any such salaries, emoluments, or advantages (be they lower or

higher) to continue the payments of the weekly sums of £150.

14. The Employer in making arrangements for the Employee's services with third parties or in direct employment by the Employer will make reasonable arrangements from time to time so that the Employee if he so wishes shall have at least six weeks continuous holiday in each calendar year, shorter holidays to be arranged to mutual satisfaction between the Employer and the Employee provided that the Employee during such holidays shall be entitled to full pay of all weekly sums hereunder but the Employee shall duly carry out all obligations im- [89] posed upon him in accordance with its contracts with third parties or if the Employer shall itself be conducting motion picture or theatrical activities the Employee will carry out his proper obligations to the Employer in connection therewith and only take his said holidays subject thereto.

15. Nothing in this agreement shall be contrary to the proposition that from time to time it is contemplated that the Employer itself will be engaging in motion picture or theatrical activities in the British Isles in connection with which it shall employ the Employee and in no case will it engage in any motion picture or theatrical activities in which there shall be a male principal part without employing the Employee in the enactment thereof unless the Employee expressly and in writing shall

assent to the Employer in any such activities employing some other actor.

16. The Employer agrees to furnish all modern wardrobe and wearing apparel (as well as so-called "character" or "period" costumes) necessary for any or all roles to be performed by the Employee hereunder. All costumes apparel and other articles furnished or paid for by the Employer pursuant to the terms of this agreement or otherwise shall be and remain the property of the Employer and shall be returned promptly to it.

17. In connection with any services to be rendered by the *the* Employee outside the British Isles, unless the Employer can recover same or part of same by arrangements with third parties and to the extent to which the Employer shall fail or be unable to obtain allowances from third parties, the Employee while outside the British Isles shall be paid his ordinary living expenses while engaged in and during the rendering of such services and with regard to journeys outside the British Isles made to and fro for the purposes of any such services the Employer will compensate the Employee, the Employee being entitled for that purpose to all reasonable expenses entailed by taking his wife and/or family with him and also his valet, and any special outlays in connection with any such services outside the British Isles; but in the British Isles and during holidays the Employee will be liable for his travelling and living expenses and the expenses of any valet or other servant and of his wife and family

unless from time to time as may be reasonably otherwise arranged with the Employer according to the nature and conditions of the special employment.

In the event of the Employer arranging that any third party shall pay all or any of these expenses direct to the Employee or in the event of the Employee obtaining payment or provision of any or all of such expenses from any third party, the Employee will give credit accordingly to the Employer and will at all times promptly inform the Employer with regard to any such payments or provision at the hands of third parties. Any monies due to the Employee hereunder shall be paid by the Employer promptly on demand, accompanied by the necessary accounts and vouchers, as soon as it shall receive such relative accounts and vouchers. [90]

18. In consideration of the premises the Employer will assume the obligations of the Employee to Myron Selznick-Frank Joyce Incorporated so far as at present unfulfilled by him.

19. If during the continuance of this Agreement or after the determination or rescission thereof any difference shall arise between the Employer or Employee as to the meaning or effect of this Agreement or as to the rights or liabilities of either party hereto or in regard to the construction of any of the clauses or provisions covenants stipulations or conditions or schedules herein contained or as to anything to be made done or permitted or not to be

made done or permitted in pursuance thereof or to any other matters relating to this Agreement then such difference shall forthwith be referred to arbitration in manner hereinafter provided namely:

(a) The parties in difference shall agree on and appoint some Barrister-at-law Solicitor chartered or incorporated Accountant or Surveyor or Architect of at least ten years standing in the exercise of his profession as a single arbitrator or failing agreement in this respect within seven days of the notice given in writing by one party to the other requiring such agreement then at the request of any party hereto in difference the difference shall be referred to a single Arbitrator being such a Barrister or Solicitor as aforesaid to be nominated and appointed (within 14 days from receiving such request) by the President for the time being of the Law Society.

(b) The said Arbitrator may make use of professional assistance and shall be entitled to inspect and on application to order in favour of any party inspection of the different parties' books and documents and to have copies thereof made and supplied and to order discovery by them of any material documents and entries in such books and may require the personal attendance and examination on oath of the parties

their directors their representatives or any of their employees and may arrange for evidence if desirable or necessary to be given outside London.

(c) The arbitration shall be held in London.

(d) Subject as above such reference shall be conducted as the Arbitrator in his absolute discretion shall decide.

(e) Neither of the parties shall be entitled to direct the Arbitrator to "state" (but the Arbitrator of his own volition or judgment may "state") a case for the opinion of the High Court of Justice nor shall there be any appeal on matters of fact from the award of the Arbitrator.

Provided always however that if it is necessary to enforce the rights of any of the parties hereto or the [91] award of the Arbitrator by any injunction or order for specific performance or other equitable relief or by any judgment mandatory process or execution the parties shall have liberty to apply at any appropriate stage of the proceedings concerned to the High Court of Justice.

This Clause shall not apply to proceedings for the recovery of money due from one party to the other and which may properly be the subject of a claim under Order III Rule 6 and Order XIV of the Rules of the Supreme Court.

20. Any notice to be given or served hereunder shall be addressed to or served on the Employer at its registered office and to or on the Employee at 34, Gordon Square aforesaid, or such other address as from time to time the Employee may furnish to the Employer for such purpose, or in default of any such furnishing at such address at the last known address of the Employee. Any such notice shall be deemed to have been effectively given if sent by registered post to any such address and proof that the letter was properly addressed and posted shall be sufficient evidence of service. No notice whether delivered by hand or sent by post if received on a Saturday, Sunday or public holiday shall be deemed to be served on any such day, but shall be deemed to be served on the next subsequent weekday.

In Witness whereof Motion Picture and Theatrical Industries Limited has caused its Common Seal to be hereunto affixed and Charles Laughton has hereunto set his hand and seal the day and year first above written.

The Common Seal of Motion Picture and Theatrical Industries Limited was hereunto affixed in the presence of

[Seal] F. M. GUEDALLA (signed)
R. H. SHIPLEY (signed)
Directors
W. C. OSWALD (signed)
Secretary

Signed Sealed and Delivered by the above named Charles Laughton in the presence of

AGNES ASHTON,
311 Ivydale Road,
Waverley Park, S. E. 15.
Solicitor's Secretary.

(signed) CHARLES LAUGHTON [92]

EXHIBIT "E"

STIPULATION OF FACTS

F. M. Guedalla & Co.
Solicitors
F. M. Guedalla

Grand Buildings,
Trafalgar Square
London W. C. 2
4th May 1934

Frank Joyce-Myron Selznick, Ltd.,
9460 Wilshire Boulevard,
Beverly Hills, California.

Gentlemen:

Charles Laughton

Motion Picture & Theatrical Industries, Ltd.

For your information and records we herewith beg to enclose copy Agreement of the 4th May, 1934 entered into between Mr. Charles Laughton and Motion Picture & Theatrical Industries Ltd. (hereinafter called "the Company").

If Mr. Joyce (as we hope) when this reaches you is well enough, he will remember the conversations he has had on this subject with Mr. Guedalla. He stated that your firm would assist Mr. Laughton to the best of its ability.

We are sending a copy of this letter to Myron Selznick-Frank Joyce (of England) Limited and asking Mr. Votion, if he has a copy of Mr. Laughton's Contract with you, to let us have same.

Mr. Joyce, before he left England, promised Mr. Guedalla a fair copy. In the event (as we anticipate) that Mr. Votion has not got a copy, perhaps you would be good enough to let us have a certified correct copy of Mr. Laughton's Contract with you. You will observe that the benefits and obligations are taken over by the Company, and the Company will enter into any requisite contract with you to give effect to this arrangement.

We are asking Mr. Loyd Wright to be good enough to act for the Company and Mr. Laughton in drawing the necessary contract with you. Mr. Joyce has already informed us that Mr. Loyd Wright is a Director of, as well as Counsel to your Company, but we see no reason (unless Mr. Loyd Wright objects to acting for everybody) why, in this particular matter, he should not act for all parties concerned. If he has any doubts on this matter we should be much obliged if he would turn over the legal representation in this matter of the Company and Mr. Laughton to the Counsel for the United Artists Corporation, with whom we believe

both he and you act in many matters very amicably.

You will observe as regards "Henry VIII" and the three future films for London Film Productions that the benefits and obligations of those Agreements, so far as unfulfilled, are turned over by Mr. Laughton to the Company: i.e. the Company will now collect the percentages on "Henry VIII", and we are about to notify London Film Productions to that effect. [93]

We will inform London Film Productions that we recognize your firm (including Myron Selznick-Frank Joyce (of England) Limited) as the Company's agents for the purpose, so that it will be in order that in making remittances to the Company you will (as we understand, as provided in your contract) deduct your 10% commission en route. We imagine in fact that it will be Myron-Selznick-Frank Joyce (of England) Limited which will handle this matter for you, and we are aware that Mr. Votion has been trying to get an accounting and cheque for percentages on "Henry VIII" down to date.

Mr. Laughton, on the 2nd instant, saw Mr. Korda, who told him that a cheque was waiting for the past two weeks and that Mr. George (the secretary of London Film Productions) would be communicating with Mr. Guedalla on the telephone yesterday morning, but down to the moment of dictating this letter we have not heard from Mr. George. We will be taking up the matter with Mr. Votion next week.

Mr. Korda, we believe, is not best pleased that Mr. Guedalla has been requested to attend to this matter with Mr. Votion. A few days ago Mr. Korda said that he would not have Mr. Laughton's Chartered Accountants, or your Accountants, to investigate accounts. Mr. Guedalla replied that the Accountants who would be employed for the purpose (who, by coincidence, also happen to be your own Accountants,) would be Messrs. Price Waterhouse & Co. Mr. Korda said that he had no objection to Price Waterhouse & Co. As Accountants of United Artists Corporation they have every access and information as to what is paid or credited by United Artists in respect of this film to London Film Productions. So far as Canada is concerned, they will have to see the accounts of The Anglo-Canadian Distributors Ltd. because United Artists do not distribute the film in Canada.

With regard to the distribution of the film on the Continent or in foreign versions Mr. Laughton and the Company are not interested therein.

As the Producer's share of revenues of "Henry VIII" has been pledged up to the hilt, Mr. Guedalla has expressed personal annoyance to Mr. Korda that Mr. Laughton was not protected ahead of or even pari passu with the financiers. He stated that this makes it all the more necessary that as and when the relative monies are paid or credited to London Film Productions, even if the financiers collect same, the proper percentages is simultaneously to be paid to the Company.

We are not satisfied with the Agreement of the 26th February 1934, and must take up the matter with Mr. Votion and Mr. Korda as to the modification thereof.

It will be necessary at all times for Mr. Loyd Wright and you carefully to study same when making any contracts for Mr. Laughton with Metro-Goldwyn-, Paramount, or other film Producers at Hollywood.

The Company will be prepared to loan Mr. Laughton's services to Metro-Goldwyn, Paramount or other film Producers. The contract in each case must be made with the company and in order that the Producer will make sure of Mr. Laughton's services no doubt he will be [94] made a party to any such contract, or, alternatively, it can be arranged that at the foot of the contract he can sign that he confirms and guarantees so far as he is personally concerned the obligations of the contract. In other words, that he will play in a stated film at a stated time and will not play for anybody else during the said period. But all monies payable in respect of his services will be collected by you and will be paid direct to the Company's account at the Bank of America, or at such other Bank as from time to time may hereafter be notified to you.

If, (which we do not anticipate) the Producer wishes to pay direct, then equally the Producer will pay stipulated sums to the Company's account at the Bank of America, and the Company will, as and

when notified of such payments, cable the Bank of America to pay to you your stipulated percentage.

For various reasons we must stipulate that no contract shall be made with the Producer by you on behalf of the Company unless its principal terms have first been notified to and accepted by the Company. We are going to send you, in the next mail or two, the registered cable address of the Company. You will observe in the enclosure what is its postal address.

For your information the Directors of the Company are:

Mr. Florance Montefiore Guedalla
Mr. Ronald Harry Shipley
and Mr. Francis Basil Guedalla

The Secretary of the Company is Mr. William C. Oswald.

We are sending to Mr. Loyd Wright by the same mail two prints of the Memorandum & Articles of Association of the Company, in case it is necessary for him ever to show same to you or to any Producer or any Californian Bank.

You will observe in Clause 17 of the enclosure that the Company is under obligation to pay Mr. Laughton's ordinary living expenses, and also transportation expenses while out of the British Isles and engaged on the business of the Company. In connection with certain figures which have been mentioned by Mr. Laughton to us as regards his prospective engagements to Metro-Goldwyn or

Paramount, it is very necessary if you can arrange it, that the Company should be recouped some of this special expenditure. In practically every contract in connection with which we have acted for an American coming over here, the American has always stipulated that in addition to his or her agreed fees he or she is to have these extra expenses provided by the Producer. Sometimes it is arranged that the Producer makes a special agreed allowance for the living expenses, as well as or apart from the travelling expenses.

Mr. Laughton informs us that Metro-Goldwyn has in fact paid for a cabin on the "Berengaria" for himself and his wife, and handed him the transportation tickets, but he is ignorant whether it is part of the contract that Metro-*Goldwyn* should pay him this, or whether it is going to try and [95] deduct the same in connection with the salary which will have to be paid to the Company.

We have to impress upon you, for many reasons, that you must see that contracts for the employment of Mr. Laughton's services are entered into direct with the Company. You will note that according to the enclosed contract, week in and week out for five years the Company is under obligation to pay Mr. Laughton a fixed salary. We have left the amount in blank, because this is the private concern of Mr. Laughton and the Company. In the same way, certain advances which have been made to Mr. Laughton to deal with certain matters in this country and at Hollywood are also left in blank.

If you wish to cable direct to Mr. Guedalla, you will note that our cable address is: "Guedalla, London".

With regard to any contract entered into for the employment of Mr. Laughton's services, the same, strictly speaking, ought to come over here for the Company's approval and execution, but if matters have to be arranged in a hurry it may be that we can arrange that the Company shall send a power of attorney to Mr. Loyd Wright or some other approved person (not being Mr. Laughton). Mr. Guedalla very frequently, without holding any power of attorney for them, signs contracts on behalf of United Artists or Twentieth Century Pictures Inc. or other American concerns as Attorney in Fact: they being very confident that he will have drawn up the contracts in the way they approve, allow him to warrant his title to and sign on their behalf. It is a responsible position, and is the result of lengthy intercourse with the principal officials of the said concerns. It might be that in case of great necessity Mr. Loyd Wright would be willing to sign as Attorney in Fact any contract which you and Mr. Loyd Wright were satisfied would be acceptable to the Company, but in all such cases we would have to ask that the authority to sign the instrument should be sent in writing from London, either by letter or by cable, by the Company or by ourselves as Solicitors for the Company, so that in turn you as agent for the Company would be authorized to conclude the negotiation locally.

It will be very necessary for the Company, as well as Mr. Laughton, both in the United States and in this country, always to have evidence as to the course of the negotiations and the reason why and the manner in which a contract is concluded on the Company's behalf, without its direct signature, in the United States.

With regard to the Paramount Contract, we would be obliged if Paramount would sign a fresh contract with the Company, repeating the essential terms of it, but not seeking in any way to vary it, otherwise we would have to get Mr. Laughton to assign the benefits of it to the Company.

We should be obliged if you would kindly at once let us have a copy of the said contract so that we can be fully informed as to its contents.

We are, dear Sirs,

Yours very respectfully,

F. M. GUEDALLA & CO.

N. B. Information to enable the Agreement of 4th May 1934 to be completed will be furnished to you by next mail. [96]

EXHIBIT "F"

STIPULATION OF FACTS

May 22nd, 1934.

F. M. Guedalla & Co.,
Grand Buildings,
Trafalgar Square,
London, W.C.2,
England.

Gentlemen:

We have given careful attention to your letter of May 4th on the subject of Charles Laughton and Motion Picture & Theatrical Industries, Ltd. and assure you that we will cooperate fully with you in all matters pertaining to our client, which would affect his relations with the aforementioned corporation.

We are pleased to have Mr. Loyd Wright act for your corporation and urge you to transmit to him as quickly as possible the necessary Power-of-Attorney, if this has not already been done by the time this letter reaches you.

We are asking Mr. Ralph Blum, our attorney, to get together with Mr. Wright in the next few days in order to draft a contract between your corporation and ours which will supplement the document now in existence between Mr. Laughton and ourselves.

In compliance with your request, we are enclosing herewith a true copy of Mr. Laughton's

contract with our corporation, together with a copy of Mr. Laughton's present contract with Paramount Productions, Inc. In connection with this last document and your request to have it replaced by a contract between Paramount Productions, Inc. and your corporation, it is not practical to ask Paramount to re-draft their contract with Mr. Laughton at this late date, and, furthermore, there would be no real practical advantage to this inasmuch as Mr. Laughton will commence and complete his last picture under that Paramount contract this summer, thereby bringing the contract to an end. If you desire, however, we will request Paramount Productions, Inc. to make Mr. Laughton's checks for this last picture payable to Motion Picture & Theatrical Industries, Ltd.

We are, as requested by you, having the contracts with Metro-Goldwyn-Mayer covering Mr. Laughton's services in "Barretts of Wimpole Street" and "Marie Antoinette" made out in favor of Motion Picture & Theatrical Industries, Ltd.

We have instructed our London office to communicate with you in order to expedite the transmission of your instructions to the Bank of America here to pay over to us commissions on behalf of Mr. Laughton and we trust such instructions will have been given by you before this letter reaches you.

[97]

With a feeling that cooperation between your company and ours will be of mutual benefit, we remain

Very sincerely yours,
FRANK JOYCE & MYRON SELZNICK, LTD.
By
SIG MARCUS, Vice-Pres.

cc Paramount contract enc.
cc managerial " enc.
cc to Messrs. Selznick, Joyce,
Hayward, McCormick [98]

EXHIBIT "G"

STIPULATION OF FACTS

June 8, 1934.

Loeb, Walker & Loeb,
Pacific Mutual Bldg.,
Los Angeles, California.
Attention Mr. George Cohen:

Dear George:

In reference to the proposed contract between M-G-M and Motion Picture and Theatrical Industries, Limited, and Charles Laughton, first, Motion Picture and Theatrical Industries, Limited, is the name of the company that is primarily entitled to the services of Mr. Laughton. It is a company organized under the Companies Act of 1929 of Eng-

land. It has a contract for the exclusive services of Charles Laughton, which contract is dated May 4th, 1934.

Mr. Guedalla has suggested and requested that if you would consent to make the contract between the two companies and then have Mr. Laughton agree to faithfully perform and fulfill the same, he would appreciate it, and I have made this request over the telephone, and simply reiterate it here with the hope that you will agree to do this.

As far as I can see, it makes no difference, for if I understand the income tax law correctly, you would have to withhold certain moneys by reason of the motion picture company which you have designated in the contract as "Industries", being a foreign corporation.

I have the following additional observations and suggestions which I would like to have incorporated in the redraft:

1. It seems to me that the first part of Paragraph Fourth is in conflict with the other provisions of the contract. As I understand it, M-G-M is only entitled to the exclusive services of Mr. Laughton during the respective periods of time which in the contract he undertakes to perform for M-G-M. It therefore seems necessary for me, that this paragraph be re-drafted.

2. Paragraph Fifth, we would like to have the Producer's rights to double, dub the acts, etc., of the Artist's voice, limited to a foreign language, excepting:

(a) When necessary to expeditiously meet censorship requirements; [99]

(b) In connection with hazardous acts which might result in physical injury to the Artist;

(c) In connection with long shots and process shots;

(d) When the Artist is not available; and,

(e) When the Artist is unable to meet certain specific requirements of a role which requires particular knowledge, talent or ability other than that possessed by the Artist.

3. In the same paragraph, the commercial advertising clause must be changed, so that M-G-M cannot use the Artist's voice, likeness, etc., except where the whole cast of a picture in which the Artist appears may be advertised.

4. In reference to Paragraph Eighth, we request that if there be a suspension by reason of strike for more than two weeks on the five-week picture, or four weeks on the Marie Antoinette picture, unless M-G-M makes payment, Industries has the right to cancel. In this same paragraph, the illness clause of one week is satisfactory for the first picture, but Mr. Laughton insists that on the second picture it be a two-week clause. (I might here tell you that I have submitted the contract to Mr. Laughton's agents, Joyce and Selznick, and my comments herein contain their requests as well as my own.)

5. In reference to Paragraph Ninth, we request that there be no requirement of one week's notice before payment be made. In other words, if the contract is suspended for two weeks, the Studio knows that unless they pay him at the end of that period, he may terminate the contract. Obviously, there is no good reason for requiring Laughton's company to send a notice. I would not object to a provision that Industries cannot cancel the contract until a notice is given you, calling attention to the fact of non-payment beyond the two weeks period and subsequent payment after the notice is given, within a reasonable time of all back accumulation.

6. All notices should be given in care of Frank Joyce-Myron Selznick, Ltd., 9460 Wilshire Boulevard, Beverly Hills, California.

7. Article Fourteenth should provide for a drawing-room when available, and a valet.

8. Article Fifteenth is too broad; we have no objection that it be assigned or transferred to any company succeeding to controlling interest of M-G-M, but not otherwise. [100]

9. Industries request that the billing clause is not satisfactory. The contract, as I understand it, is a starring contract. M.-G-M is to agree to star Laughton, or co-star him, and if he is co-starred his credit is to be the same as that of the person with whom he is co-starred, and in no event less than 75% in size of the type, etc., used in an-

nouncing the name of the picture or of the largest type used in the advertising, publicity and/or on the screen.

If you have other contracts that prevent that, then in the event that the Artist's services are used in a picture in which there appears also some Artist already under contract which prevents the name being as large, any reasonable recommendation of Studio's obligations in that regard, of course cannot be objectionable.

10. In reference to Paragraph Seventeenth, I would like to eliminate the following: "On condition that Industries and the Artist shall fully and completely keep and perform each and every term and condition of this agreement on their part to be kept or performed". If Mr. Laughton appears in the photoplay, I take it he is entitled to compensation.

11. We wish to add after the word "require", sixth line from the top of page 17, the following: "Unless other engagements of the Artist shall prevent, and in no event shall the Artist be required to remain in the vicinity of Los Angeles for a period longer than one week after the completion of his role in the second of the photoplays referred to herein."

12. As I understand it, there is a mix-up on the dates as set forth in Article 18. Laughton is picked up at Paramount on July 30th: Paramount is to have up to September 8th, so I do not see

how the positive agreement can be made that he shall report September 1st. I would say that an outside date should be made, with the proviso that if he is through sooner with Paramount, he will report to M-G-M by September 1st.

I know that your reaction is going to be one of surprise and amazement, that a contract of this kind could get by with so few comments and suggestions, particularly with a DAMN "LAWYER" in the mess; however, from what I understand of Mr. Goldwyn's comments on agencies, undoubtedly the terrible influence of the lawyer is counteracted by the honesty and uprightness of the agents involved; same to you!

Sincerely yours,

LW/AG [101]

EXHIBIT "H"

STIPULATION OF FACTS

This Agreement, made and entered into at Los Angeles, California, this 5th day of July, 1934, by and between Paramount Productions, Inc., a Delaware corporation, hereinafter referred to as the Producer, and Motion Picture and Theatrical Industries, Limited, a Company organized under the Companies' Act of 1929, of England, hereinafter referred to as Industries:

Witnesseth:

First: Industries hereby warrants and represents to the Producer that Industries and Charles Laughton, hereinafter referred to as the Artist, have heretofore entered into an agreement with each other, whereby Industries has become entitled to the services of the Artist for a period of time extending at least the length of time that the Producer will be entitled to the services of the Artist hereunder. The Producer is desirous of obtaining the sole and exclusive services of the Artist as hereinafter provided, and Industries desires and is willing to permit the Producer so to employ the Artist upon the terms hereinafter provided. Industries further agrees and guarantees that the Artist will keep and perform any and all agreements, duties and obligations assumed by Industries hereunder, so far as the full performance thereof necessitates that the Artist do or refrain from doing, any act or thing.

Second: Pursuant to the provisions of the preceding paragraph, the Producer hereby employs of Industries the services of the Artist to act, play, perform and take part in one (1) motion picture photoplay, with the photographing of which sound, including spoken words, songs and music may be synchronously recorded by mechanical and/or electrical means, and in rehearsals, acts, parts and scenes thereof, including the rendition of speaking parts and musical numbers for and as directed by

the Producer at its Studios at Hollywood, California, and at such studios and on such locations as the Producer may from time to time designate, which said motion picture photoplay is to be produced during the period commencing on or about the 5th day of July, 1934, and continuing for at least five (5) consecutive weeks thereafter, but in no event beyond September 15th, 1934.

Third: Industries guarantees that the Artist will and does hereby accept the said employment, and agrees that he shall give his entire time and attention, and devote his best talent and abilities to the services of the Producer in making the said photoplay, when and where the Producer may direct during the term of this agreement.

Fourth: In full consideration for the services to be rendered by the Artist pursuant hereto, the Producer agrees to pay to Industries, and Industries agrees to accept, salary at the rate of Three Thousand [102] ($3,000.00) Dollars per week, for not less than five (5) weeks, for the services of the Artist in the making of said photoplay, payments of which salary are to be made to Industries on Wednesday following the end of each week for which the Artist shall be entitled to salary pursuant thereto.

Fifth: If the Artist's services shall be required in said photoplay in excess of the number of weeks specified therefor, Industries agrees that the Artist shall continue to render his services for such ad-

ditional consecutive period with respect to such production as the Producer shall require, and the salary agreed to be paid to Industries for the services of the Artist shall be paid to said Industries until the services of the Artist in said production are complete. For any incomplete week after the last full week, Industries shall be entitled to pro rata of said salary on the basis of a six day week. It is understood for the purposes hereof, that the Artist shall not be deemed to be appearing in said production when he shall appear for re-takes therefor.

Sixth: Industries agrees that the Artist shall appear for re-takes and/or re-recording of any part of said motion picture to be made hereunder, when it shall be necessary, in the opinion of the Producer, after the completion of said photoplay, at compensation of one-sixth (1/6th) of the weekly compensation herein provided, for each day the services of the Artist are required in the making of such re-takes and/or re-recording.

Industries agrees that the Artist shall appear at the studio of the Producer for such re-takes and/or re-recording within a reasonable time after notice of the necessity therefor shall have been given to him.

Seventh: Industries hereby grants to the Producer the exclusive right to use the name of the Artist, his photograph and likeness (and any simulation thereof), and to record, reproduce, amplify

and simulate his voice by electrical and/or mechanical means in said motion picture production to be made hereunder, and in advertising, exploiting, and exhibiting the same.

Eighth: Industries agrees that the Artist shall speak the dialogue of any parts or roles in which he may be cast pursuant hereto, at such times and places designated by the Producer in radio broadcasting, either singly or in conjunction with other players employed by the Producer, for the purpose of advertising and exploiting said motion picture production in which the Artist is to appear, provided the other engagements of the Artist so permit, and Industries further grants to the Producer the right to broadcast by radio broadcasting from the records made by the Artist pursuant hereto.

Ninth: The Producer agrees to provide the Artist with first-class transportation whenever the Artist is required to travel in rendering his services for the Producer, and to defray his necessary living expenses when rendering services hereunder on location, except when in or near the cities of Los Angeles, California, or New York, New York.

[103]

Tenth: If the Artist should be unable or should fail to render his services in the said motion picture production continuously after the photographing of the same shall have commenced, or to proceed on the date set by the Producer for such com-

mencement, the Producer may, at its election, terminate this agreement, or, by giving Industries, as well as the Artist, written notice of its intention so to do, extend the pending period hereof for a period equal to the time during which such disability or non-performance shall continue; but in the event such disability or non-performance shall be due to illness, injury, or accident, then the Producer may not terminate this agreement unless such illness, injury or accident shall continue for one (1) week. Such election shall be without prejudice to any right or remedy of the Producer for failure to perform on the part of the Artist. Should the Producer pay Industries salary during any period of incapacity or failure to perform of the Artist, the time of such non-performance shall, nevertheless, be added to any period so interrupted and the salary paid to Industries during such non-performance shall be treated as payment for the Artist's services during the time so added. The payment of salary to Industries during any such period of incapacity or failure to perform on the part of the Artist, shall be wholly optional with the Producer, and shall not constitute a waiver of any right hereunder or any provision hereof.

Eleventh: Should the Producer be prevented from making motion pictures by epidemic, fire, action of the elements, strikes, labor disputes, governmental order, court order, the act of God, or a public enemy, war, riots, civil commotion, or other

causes beyond the control of the Producer, whether of the same or any other nature, then the operation of this agreement may be suspended during such interruption. Upon the resumption of work by the Producer, a period of time equal to the period of such interruption shall be added at the end of the period so interrupted. If such interruption shall continue beyond six (6) weeks, the said Industries shall be free to terminate this agreement, unless the

Twelfth: Any notice required to be given hereunder by the Producer to Industries shall be sufficiently given by mailing the same by registered mail in a post-paid wrapper, or by telegraphic communication, addressed to Industries in care of Frank Joyce-Myron Selznick, Ltd., Industries' and Artists' agents, or by personally delivering the same to said Frank Joyce-Myron Selznick, Ltd. The date of the mailing of notice, or the personal delivery thereof, shall be the date of the giving of such notice.

Any notice required to be given to the Producer by the Artist or by Industries, shall be given by mailing the same by registered mail in a post-paid wrapper, or by telegraphic communication, addressed to the Producer at 5451 Marathon Street, Hollywood, California.

Thirteenth: Industries hereby warrants that the Artist is free to enter into this agreement and render the services pursuant hereto. [104]

Fourteenth: It is mutually understood and agreed that the Artist's services are extraordinary, unique and not replaceable, and that there is no adequate remedy at law for a breach of this agreement by the Artist; and that the Producer, in the event of such breach or threatened or attempted breach, by the Artist, shall be entitled to equitable relief by way of injunction or otherwise.

In witness whereof, the parties hereto have executed these presents the day and year first above written.

PARAMOUNT PRODUCTIONS, INC., a corporation,

By (signed) HENRY HERZBRUN

Producer.

MOTION PICTURE AND THEATRICAL INDUSTRIES, LIMITED,

By (signed) LOYD WRIGHT,

Its Atty in fact.

Industries. [105]

For valuable consideration, the receipt of which I hereby acknowledge, and as an inducement to Paramount Productions, Inc., to enter into the foregoing contract with Motion Picture and Theatrical Industries, Limited, I hereby acknowledge that I have read the foregoing contract; that I understand each and every provision thereof, and personally consent to the same, and do hereby agree

to perform each, every and all acts on my part to be performed and/or guaranteed that I shall perform by said Motion Picture and Theatrical Industries, Limited.

Dated: July 5th, 1934.

(signed) CHARLES LAUGHTON. [106]

EXHIBIT "I"

STIPULATION OF FACTS

This Agreement made and entered into this 6th day of July, 1934, by and between Metro-Goldwyn-Mayer Corporation, a New York corporation, hereinafter referred to as the "producer", and Motion Picture and Theatrical Industries, Limited, a company organized under the Companies Act of 1929 of England, hereinafter referred to as "Industries".

Witnesseth

For and in consideration of the covenants, conditions, warranties, representations and agreements hereinafter contained and set forth, the parties hereto have agreed and do hereby agree as follows:

1. Industries hereby warrants and represents to the producer that Industries and Charles Laughton, hereinafter referred to as the "artist", have heretofore entered into an agreement with each other whereby Industries has become entitled to the services of the artist for a period extending

for at least the length of time that the producer will be entitled to the services of the artist hereunder. The producer is desirous of obtaining the sole and exclusive services of the artist as hereinafter provided, and Industries desires and is willing to permit the producer so to employ the artist upon the terms hereinafter provided. Industries represents and warrants to the producer that the artist expects to benefit by the execution and carrying out of this agreement by the parties hereto and as an inducement to the producer to enter into this agreement Industries agrees and guarantees that the artist will fully and faithfully keep and perform each and all of the services, obligations and agreements which are to be kept and performed by the artist under the terms of this agreement, as fully as though this agreement were made solely between the producer and the artist and as though the compensation payable by the producer hereunder were to be paid directly to the artist. Industries further agrees and guarantees that the artist will keep and perform any and all agreements, duties and obligations assumed by Industries hereunder so far as the full performance thereof necessitates that the artist do or refrain from doing any act or thing; and Industries agrees that it will keep and perform any agreements, duties or obligations assumed or which Industries agrees will be performed by the artist hereunder, so far as the full performance thereof necessitates that Indus-

tries do or refrain from doing any act or thing.

2. Pursuant to the provisions of the preceding paragraph the producer hereby employs and engages the artist to render his services as an actor solely and exclusively for the producer in connection with two (2) photoplays to be produced by the producer as hereinafter more specifically provided, and Industries hereby agrees to furnish the services of the artist to the producer hereunder and agrees that the artist will fully and completely keep and perform each and all of the agreements, duties and obligations for the performance of which the services of the artist are to be furnished to the producer, as in this agreement provided. The term "photoplays", as used in this [107] agreement, shall be deemed to include, but not be limited to, motion picture productions, produced and/or exhibited with sound and voice recording, reproducing, and/or transmitting devices, radio devices, and all other improvements and devices which are now or may hereafter be used in connection with the production and/or exhibition and/or transmission of any present or future kind of motion picture productions.

3. Industries agrees that the artist will act, pose and appear solely and exclusively for and as requested by the producer hereunder; that he will promptly and faithfully comply with all reasonable instructions, requests, rules and regulations made by the producer in connection herewith; and that

he will perform and render his services hereunder conscientiously and to the full limit of his ability and as instructed by the producer, at such times and places as the producer may designate.

4. Industries agrees that at all times during which, under the terms of this agreement, the services of the artist are to be rendered for the producer, such services shall be rendered solely and exclusively for the producer, and that the artist will not during any such times render his services as an actor, or pose, act, appear, write, direct or render any other services in any way connected with motion pictures or photoplays, nor will he render any services of any kind or character whatsoever in any way connected with dramatic, theatrical, musical, vaudeville, radio, television or other productions, shows, performances and/or entertainment, nor will he render any similar services to or for himself or for Industries or to or for any person, firm or corporation other than the producer, without the written consent of the producer first had and obtained. Industries further agrees that it will not consent to nor authorize nor permit any other person to advertise, announce or make known, directly or indirectly, by paid advertisements, press notices or otherwise, that the artist has contracted to do or perform any act or services contrary to the terms of this agreement. The producer shall have the right to institute any legal proceedings, in the

name of the artist or otherwise, to prevent such acts, or any of them.

5. Industries expressly gives and grants to the producer the sole and exclusive right to photograph and/or otherwise reproduce any and all of the artist's acts, poses, plays and appearances of any and all kinds in connection with the photoplays in which the artist is to appear hereunder, and to record his voice and all instrumental, musical and other sound effects produced by him, and to reproduce and/or transmit the same, either separately or in conjunction with such acts, poses, plays and appearances as the producer may desire; and further gives and grants to the producer solely and exclusively all rights of every kind and character whatsoever in and to the same, or any of them, perpetually, including as well the perpetual right to use the name of the artist and pictures or other reproductions of the artist's physical likeness, and recordations and reproductions of the artist's voice in connection with the advertising and exploitation thereof. The producer shall have the right to "double" or "dub" the acts, poses, plays and appearances of the artist and, as well, the voice of the artist and all instrumental, musical and/or other sound effects to be produced by the artist to such extent as may be desired by the producer, such doubling or dubbing as to the [108] artist's voice, however, to be only in a foreign language or in such foreign languages as may be designated or desired

by the producer, except that the same may be in the English language in the following events:

(a) When necessary to expeditiously meet censorship requirements;

(b) In connection with hazardous acts which might result in physical injury to the Artist;

(c) In connection with "Long shots" and "process shots";

(d) In the event of failure, refusal or neglect on the part of the artist to comply with his obligations or when the artist is not available; and

(e) When the artist is unable to meet certain special requirements of a role which requires particular knowledge, talent or ability other than that possessed by the artist.

Industries also hereby grants to the producer the sole and exclusive right to make use of and distribute the name of the artist and pictures, photographs and other reproductions of the artist's physical likeness and recordations and reproductions of the artist's voice for advertising, commercial and/or publicity purposes in connection with advertising, publicity and/or exploitation in which the title of the photoplay or photoplays in which the artist renders services hereunder also appears. Industries agrees that neither it nor the artist will at any time during said term grant the right to, authorize or willingly permit any person, firm or corporation,

other than the producer, to make use of the name of the artist or to make use of or distribute his pictures, photographs or other reproductions of his physical likeness, excepting only as hereinafter more specifically provided, and the producer is authorized, in the name of the artist or otherwise, to institute any proper legal proceedings to prevent such acts or any of them.

6. [Cancelled.) L.W. E.M.

7. In the event that the producer desires at any time or from time to time to apply, in its own name or otherwise, but at its own expense, for life, health, accident, or other insurance covering the artist, Industries agrees that the producer may do so and may take out such insurance for any sum which the producer may deem necessary to protect its interests hereunder. The artist shall have no right, title or [109] interest in or to such insurance, but Industries agrees that the artist nevertheless will assist the producer in procuring the same by submitting to the usual and customary medical and other examinations and by signing such applications and other instruments in writing as may reasonably be required by such insurance company or companies. Any and all policies of life, health or other insurance covering the artist obtained by the producer hereunder may be taken over and assumed by the artist upon the completion of all services to be performed by the artist in connection with both of the photoplays in which the artist is

to appear hereunder, provided that Industries or the artist makes all necessary arrangements with and obtains all necessary consents of the insurance company or companies writing such insurance, upon payment to the producer of the cash surrender value, if any, of the policy or policies desired to be taken over or assumed by the artist.

8. The respective periods hereinafter in paragraph 17 provided for, of five (5) weeks with respect to the first photoplay in which the artist is to appear hereunder and of twelve (12) weeks with respect to the second photoplay in which the artist is to appear hereunder will hereinafter for convenience, as to such respective photoplays, be hereinafter referred to as the "specified period". For the purpose of this agreement a photoplay shall be deemed to be "in production" from the date on which the artist is scheduled by the producer to report to the producer in connection with such photoplay until the production of such photoplay is completed or until the date of any cancellation of such photoplay; it being expressly understood that the prevention or postponement of the commencement of the artist's services in any photoplay by reason of the happening of any of the contingencies specified in paragraphs 8, 9 or 10 hereof shall have the same effect as though such contingencies had occurred during the actual rendition of the artist's services in connection with such photoplay. If while any photoplay is in production the artist shall be incapacitated by reason of mental or phys-

ical disability or otherwise from fully performing the terms or complying with each and all of his obligations hereunder or if he suffer any facial or physical disfigurement materially detracting from his appearance on the screen or interfering with his ability to perform properly his required services hereunder or if his present facial or physical appearance be materially altered or changed or if he suffer any impairment of his voice materially affecting his ability to perform properly hereunder (such disability and/or incapacity and/or facial and/or physical disfigurement and/or change of appearance and/or impairment of voice being sometimes hereinafter for convenience referred to as "illness"), then and in either or any of said events the obligations of the producer under this agreement shall be suspended during the period of such illness, and the period of such suspension shall not be included in computing the "specified period" applicable to the photoplay in respect of which such suspension shall have occurred. During the period of such suspension no payments whatsoever shall be made to Industries by the producer. In the event of the continuance of such illness for a period or aggregate of periods in excess of one (1) week while the first photoplay in which the artist is to appear hereunder is in production or for a period or aggregate of periods in [110] excess of two (2) weeks while the second photoplay in which the artist is to appear hereunder is in production, the producer

shall have the right, at its option, to terminate the employment of the artist with respect to the photoplay in respect of which such illness shall have occurred. In the event of such termination with reference to such photoplay the producer may nevertheless complete such photoplay with another person in the role which was being or was to have been portrayed by the artist therein, and the completion of such photoplay with such other person shall not affect the producer's right of termination with respect to such photoplay. The number of photoplays in which the producer is obligated to furnish employment to the artist hereunder and with respect to which Industries is entitled to compensation hereunder shall be reduced by the number of photoplays in connection with which the producer may exercise its right of termination. It is agreed that if either Industries or the artist allege that the artist is incapacitated by illness or other disability or incapacity from the full and faithful performance of this agreement the producer shall have the right, at its option, to have medical examinations of the artist made by such physician or physicians as the producer may designate.

9. If during the employment of the artist hereunder the production activities of the producer be materially hampered, interrupted or interfered with by reason of fire, casualty, strike, labor conditions, lockouts, unavoidable accident, war, act of God, or

by the enactment of any municipal, state or federal ordinance or law, or by the issuance of any executive or judicial order, whether municipal, state or federal, or by any other legally constituted authority, or by any other cause of the same or any similar kind or character, or if for any reason whatsoever the majority of the motion picture theatres in the United States shall be closed for a week or any period in excess of a week, the obligations of each of the parties hereto under this agreement shall be suspended likewise, at the option of the producer during the continuance of such event or events, and the period or periods of the continuance of such event or events shall not be included in computing the "specified period" applicable to the photoplay in connection with which the artist was rendering or was to have rendered his services at the time of the occurrence of such event or events. If the event of the continuance of such event or events for a period or aggregate of periods in excess of two (2) weeks while the first photoplay in which the artist is to appear hereunder is in production, or for a period or aggregate of periods in excess of four (4) weeks while the second photoplay in which the artist is to appear hereunder is in production, then and in either of said events either the artist and Industries or the producer, at their or its option, may elect to terminate the artist's employment in respect of such photoplay; provided, however, that should the artist and Industries desire to elect, to

terminate the artist's employment in connection with such photoplay they shall serve notice of such desire upon the producer, and if the producer should not resume the payment of such installment or installments, if any, as would be payable to Industries hereunder in the absence of the happening of such event or events, commencing as of not later than two (2) days after the receipt of such notice from the artist and Industries, then and in that event the employment of the artist hereunder in connection [111] with such photoplay shall be terminated. If the producer should resume the payment of such installments, commencing as of not later than two (2) days after the receipt of such notice, then and in that event the employment of the artist hereunder shall not be terminated, but shall continue in full force and effect. In the event of the termination of the employment of the artist in respect of any photoplay pursuant to the preceding provisions of this paragraph, the producer shall be released from the obligation to pay any installment or installments of compensation to Industries in connection with the photoplay as to which such termination is effective, accruing after the date of such termination.

10. It is distinctly understood and agreed by and between the parties hereto that the services to be rendered by the artist under the terms hereof, and the rights and privileges granted to the producer by Industries under the terms hereof, are of

a special, unique, unusual, extraordinary and intellectual character which gives them a peculiar value, the loss of which cannot be reasonably or adequately compensated in damages in an action at law, and that a breach by the artist and/or by Industries of any of the provisions contained in this agreement will cause the producer irreparable injury and damage. Industries hereby expressly agrees that the producer shall be entitled to injunctive and other equitable relief to prevent a breach of this agreement by the artist and/or by Industries. This provision, however, shall not be construed as a waiver of any other rights that the producer may have in the premises, for damages or otherwise. Any failure on the part of Industries to perform and/or comply with its obligations hereunder or any failure, refusal or neglect on the part of the artist to perform any of the obligations and/or agreements which Industries agrees will be performed by the artist, hereunder, will hereinafter for convenience be referred to as a "breach". In addition to all other rights and remedies which the producer may have, the producer, at its option, in the event of any breach, shall have the right to refuse to pay Industries any compensation during the continuance of such breach. The producer shall have the further right at any time during the continuance of such breach, to terminate this agreement, or, if it so desires, the producer may terminate the employment of the artist only as to the photoplay with respect to which such breach shall

have occurred, in which latter case the total number of photoplays in connection with which the producer is obligated hereunder to employ the artist, shall be reduced accordingly. The producer shall have the further right, at its option, at any time during the continuance of such breach, to complete the photoplay with respect to which such breach shall have occurred with another person in the role which was being or which was to have been portrayed by the artist therein, and in such case this agreement shall be suspended both as to services and as to the payment of any installment or installments of compensation to Industries during the period reasonably required for such other person to complete such photoplay, and the total number of photoplays in connection with which the producer is obligated hereunder to employ the artist shall be reduced accordingly. If because of any breach the employment of the artist shall have been terminated with respect to the photoplay in connection with which such breach shall have occurred, or if another person shall have been substituted to complete the artist's role in such photoplay, as herein provided, [112] all installments of compensation paid by the producer to Industries with respect to such photoplay prior to such termination or substitution shall, in the event such breach should occur while the first photoplay in which the producer is obligated hereunder to employ the artist, is in production, be applied against the compensation payable to Industries with respect

to the second photoplay in connection with which *which* the producer is obligated hereunder to employ the artist; provided, however, that if any such termination or substitution shall have occurred in connection with said second photoplay, or if because of any such breach occurring in connection with the first photoplay the producer shall have terminated this agreement in its entirety, all installments of compensation paid by the producer to Industries with respect to such photoplay prior to such termination or substitution shall be repaid by Industries to the producer on demand. Each and all of the several rights, remedies and options of the producer contained in this agreement shall be construed as cumulative and no one of them as exclusive of the others or of any right or priority allowed by law.

11. No waiver by the producer of any breach of any covenant or provision of this agreement shall be deemed to be a waiver of any preceding or succeeding breach of the same or any other covenant or provision.

12. All notices which the producer is required or may desire to give the artist or Industries or both may be given by addressing the same either to Industries or the artist, or both, in care of Frank Joyce-Myron Selznick, Ltd., 9460 Wilshire Blvd., Beverly Hills, California, or by addressing the same to such other address as may be designated from time to time in writing by Industries or the artist, and in either case by depositing the same so ad-

dressed postage prepaid in the United States mail at Culver City or Los Angeles, California; or by delivering the same so addressed to any telegraph or cable company, or, at its option, the producer may deliver such notice as it is required or may desire to give the artist or Industries to the artist personally or to any officer of Industries either in writing, or unless otherwise specified herein, orally. If the producer elect to mail such notice or to send the same by telegraph or cable then the date of mailing thereof or the date of delivery to the telegraph or cable office, whichever method may be selected by the producer shall be the date of the service of such notice. Notice given either to the artist or to Industries as aforesaid shall for all purposes be and be deemed to be notice to both the artist and to Industries.

13. The artist shall provide, at his own expense, such modern wardrobe and wearing apparel as may be necessary for any and all roles to be portrayed by the artist hereunder; it being agreed, however, that should so-called character or period costumes be required, the producer shall supply the same. The costumes, apparel and other articles furnished or paid for by the producer, pursuant to the terms of this agreement or otherwise, shall be and remain the property of the producer, and shall be returned promptly to it.

14. Should the artist be required to perform any services hereunder in any place other than the city of Los Angeles, California, [113] or its environs,

the producer shall pay for and/or furnish the necessary and reasonable food, lodging and transportation (including drawing room, when available) reasonably required for the artist and the artist's valet on account of the rendition of such services.

15. In the event of the merger or consolidation of the producer with any other corporation or corporations, or in the event of the sale or transfer by the producer of a major portion of its assets, or of its business or goodwill, then and in either or any of said events the producer shall have the right to assign and/or transfer its rights hereunder in whole or in part to such successor in interest of the producer, and in the event of such assignment or transfer the artist shall continue to perform his duties and obligations according to the terms and tenor hereof, to or for such assignee and/or transferee.

16. On condition that the artist and Industries shall fully and completely keep, perform and observe each and every term, covenant and condition of this agreement on their parts to be kept, performed or observed, the producer agrees to give the name of the artist credit as star or co-star on the screen and in advertising and paid publicity issued by the producer in connection with each photoplay in which the services of the artist are completed hereunder. Such credit shall be given in type at least seventy-five per cent (75%) as large as that in which the name of the person or persons co-starred with the artist is displayed; it being agreed, however, as to each photoplay in which the artist's

services are completed hereunder, exhibited in any country or countries of Europe, the name of the artist shall, in such country or countries, be given credit on the screen and in advertising and paid publicity issued by the producer in type as large as that used to display the name of the person or persons co-starred with the artist in such photoplay. Nothing herein contained shall be construed so as to prevent so-called "teaser" and/or special advertising, publicity and/or exploitation relating to the story upon which each respective photoplay is based, any of the members of the cast, the director, the author, or similar matters, without mentioning the name of the artist, or so as to prevent so-called "trailer" or other advertising on the screen without mentioning the name of the artist, and no casual or inadvertent failure to comply with the provisions of this paragraph shall constitute a breach of this agreement.

17. The producer agrees to pay Industries for all rights herein granted and/or agreed to be granted to the producer and for the full and complete performance by the artist of each and all of the obligations and agreements which Industries agrees will be performed by the artist, the sum of Forty Thousand Dollars ($40,000.00) for the first photoplay in which the artist appears hereunder, and the sum of Fifty Thousand Dollars ($50,000.00) for the second photoplay in which the artist appears hereunder. Said compensation shall entitle the producer to the exclusive services of the artist in con-

nection with the first photoplay for a period of five (5) weeks from and after the date of commencement of the services of the artist therein, and in connection with the second photoplay for a period of twelve (12) weeks from and after the date of commencement of the services of the artist in connection with said second photoplay, exclusive of the period or periods of the continuance of any of the contingencies referred to in paragraphs 8, 9 and 10 hereof. [114] Said period of five (5) weeks as applied to the first photoplay and said period of twelve (12) weeks as applied to the second photoplay, is the period herein referred to as the "specified period". Said compensation shall be payable in installments at a weekly rate equivalent to Eight Thousand Dollars ($8,000.00) per week in respect of the first photoplay and at a weekly rate equivalent to Forty-one Hundred Sixty-six and 66/100 Dollars ($4,166.66) per week in respect of the second photoplay (except that for the last weekly installment of said "specified period" the rate shall be Forty-one Hundred Sixty-six and 74/100 Dollars ($4,166.74). Said compensation as to each photoplay shall be payable on Saturday for services rendered by the artist in connection with such photoplay up to and including the Wednesday preceding. In computing the amount of the installment of compensation payable to Industries in respect of any week during which the services of the artist shall have been rendered for less than the full week the

weekly rate shall be prorated and for this purpose the daily rate shall be one-sixth of the weekly rate. Should the portrayal of the artist's role in either photoplay be completed prior to the payment to Industries of the full compensation payable by the producer for the entire "specified period" the entire unpaid balance of such compensation shall be payable to Industries upon the completion of such role. Should the artist's services in the portrayal of his role in either photoplay be required by the producer after the "specified period" applicable to such photoplay, compensation for such time thereafter as the artist's services are required by and actually rendered for the producer shall be payable to Industries in respect of the first photoplay at the rate of Eight Thousand Dollars ($8,000.00) per week and in respect of the second photoplay at the rate of Forty-one Hundred Sixty-six and 66/100 Dollars ($4,166.66) per week. If after the completion of the artist's role in either photoplay the producer should desire the additional services of the artist in the making of retakes, added scenes and/or changes in connection with such photoplay, Industries agrees that the artist will render such services for the producer at such time or times as the producer may require, unless other engagements of the artist shall prevent, but Industries agrees that if otherwise engaged, Industries and the artist will cooperate with the producer to the fullest extent in the making of such retakes, added scenes and/or

changes. Industries further agrees that after the completion of the artist's role in the second of the two (2) photoplays in which the artist is to appear hereunder, the artist will remain in and about the vicinity of Los Angeles for a period of not more than two (2) weeks for the purpose of rendering such services as may be required by the producer in the making of retakes, added scenes and/or changes. Compensation for such additional services rendered in respect of either photoplay after the expiration of the "specified period" shall be payable at the same weekly rate as is payable to Industries hereunder in connection with such photoplay for the artist's services after the expiration of the "specified period", which compensation, however, shall be payable only for the days on which the artist's services are actually required by and rendered for the producer in the making of such retakes, added scenes and/or changes. In computing all weekly compensation payable to Industries hereunder for services rendered by the artist for less than a full week the weekly rate shall be prorated and for this purpose the daily rate shall be one-sixth of the weekly rate. All compensation hereunder shall be payable to [115] Industries, and the producer shall not be obligated to make any payments of any kind directly to the artist, and Industries hereby agrees to indemnify and hold the producer harmless of and from any and all claims of the artist for the payment directly to the artist of any compensation herein provided for.

18. The first photoplay in which the artist is to appear hereunder shall be the photoplay now entitled "The Barretts of Wimpole Street" in which photoplay the artist shall portray the role of Elizabeth Barrett's father. In the second photoplay in which the artist is to appear hereunder the artist shall portray the role of "Louis XVI" in the producer's photoplay now entitled "Marie Antoinette". The term of the artist's employment in connection with said first photoplay shall be deemed to have commenced on May 14, 1934 and shall continue thereafter for such time as the producer may require the services of the artist in the portrayal of said role. After the completion of the artist's services in the portrayal of said role the artist may appear in one photoplay for Paramount Productions, Inc. (hereinafter referred to as "Paramount") subject to and upon the express condition that the artist's services for Paramount shall not continue after September 7th, 1934 unless Paramount shall have obtained from the producer a written extension of the time during which the artist's services for Paramount may be rendered. The term of the artist's employment in connection with the second photoplay in which the artist is to appear for the producer hereunder shall commence on September 8, 1934; provided, however, that if the artist's services for Paramount are completed before September 7, 1934 and the producer is then ready to use the artist's services in connection with

said second photoplay, the term of the artist's employment in connection with said second photoplay shall, at the option of the producer, commence either on the day next following the completion of the artist's services for Paramount or on any subsequent date not later than September 8, 1934 which the producer may designate; provided further, that if the artist's services for Paramount are completed on or before September 7, 1934 but the producer at the time of such completion is not ready to use the services of the artist in connection with said second photoplay, the term of the artist's employment in connection with said second photoplay shall commence on a date to be designated by the producer, which date shall not be later than September 8th, 1934; provided, further, that if Paramount uses the artist's services after September 7, 1934 (which it may do only with the written consent of the producer, as aforesaid), then the term of the artist's employment in connection with said second photoplay shall commence on the day next following the completion of the artist's services for Paramount.

19. Industries and the artist acknowledge that prior to the execution hereof various correspondence, cables and other communications relative to the employment of the artist hereunder have passed between the parties hereto. It is expressly understood that this present agreement contains and embodies the entire and complete understanding and agree-

ment between the parties hereto, and any and all understandings and/or agreements of any and every kind between the parties hereto, relating to the employment of the artist in connection with the photoplays herein referred to, are hereby cancelled and terminated, and [116] Industries hereby releases the producer of and from all claims and demands of any and every kind whatsoever arising out of or based upon any and all such previous understandings and/or agreements. Without in any way limiting the generality of the foregoing, Industries hereby acknowledges that the producer has already furnished necessary transportation from London, England to Los Angeles, California, and Industries further acknowledges that all obligations of the producer with reference to furnishing any transportation other than the transportation to which the artist may hereafter become entitled pursuant to the provisions of paragraph 14 hereof have been fully complied with.

20. Industries hereby guarantees the full and faithful performance by the artist of each and all of the covenants and agreements which Industries under the terms hereof agrees will be performed by the artist. It is expressly understood that Industries shall not have the right to transfer or assign all or any of its rights or obligations hereunder, without the written consent of the producer first had and obtained.

21. Industries hereby represents and warrants to the producer that neither Industries nor the artist is under any contractual obligations of any kind to any person, firm or corporation which will or might prevent, conflict or interfere with the full and complete performance by Industries of each and all of its obligations and agreements hereunder and/or by the artist of any of the obligations and/or agreements which Industries agrees will be performed by the artist hereunder or which will or might prevent, conflict or interfere with the exercise and enjoyment by the producer to the fullest extent of each and all of the rights herein granted to the producer.

In witness whereof, the parties hereto have executed this agreement the day and year first above written.

METRO-GOLDWYN-MAYER CORPORATION

By E. J. MANNIX (Signed)
Vice President

MOTION PICTURE AND THEATRICAL INDUSTRIES, LIMITED.

By LOYD WRIGHT (Signed)
Its Atty-in-Fact. [117]

As an inducement to Metro-Goldwyn-Mayer Corporation (hereinafter referred to as "Metro") to execute the foregoing agreement between Metro and Motion Picture and Theatrical Industries,

Limited (hereinafter referred to as "Industries") and as a material part of the consideration moving Metro to enter into said agreement, the undersigned hereby consents to the execution of said agreement by Industries and agrees to be bound thereby. Specifically, but without in any way limiting the generality of the foregoing, the undersigned expressly agrees that he will fully and faithfully keep and perform each and all of the services, obligations and agreements which, under the terms of said agreement, Industries agrees and guarantees will be kept and performed by the undersigned, as fully and to the same extent as though said agreement were made solely between Metro and the Undersigned and as though the compensation payable by Metro under said agreement were to be paid directly to the undersigned, and the undersigned agrees that he will keep and perform any and all agreements, duties and obligations assumed by Industries under said contract so far as the full performance thereof necessitates that the undersigned do or refrain from doing any act or thing. The undersigned hereby expressly authorizes Metro to pay all compensation accruing under the foregoing agreement, directly to Industries, and hereby releases and discharges Metro of and from any and all claims and demands of every kind which the undersigned may have for the payment to the undersigned of any compensation accruing under said agreement or for any services rendered by the

undersigned in connection with the photoplays referred to therein. The undersigned further hereby joins in and reaffirms as his own and for his own behalf each and all of the representations and warranties made by Industries under the terms of the foregoing agreement, and further hereby guarantees to Metro the full and faithful performance by Industries of each and all of its obligations and agreements under the terms of said agreement. The undersigned acknowledges that prior to the execution hereof various correspondence, cables and other communications relative to the employment of the undersigned by Metro have passed between the undersigned and/or Industries and Metro. The undersigned further acknowledges that the foregoing agreement embodies the entire and complete understanding relative to the employment of the undersigned in connection with the photoplays referred to therein, and hereby joins in the provisions of paragraph 19 of the foregoing agreement and acknowledges that there are no existing contracts, agreements or understandings of any kind, either oral or written, between the undersigned and Metro relating to the employment of the undersigned by Metro, and the undersigned releases and discharges Metro of all claims and demands of any and every kind whatsoever arising out of or based upon any or all previous contracts, agreements and/or understandings of every kind between the undersigned and Metro. Without in any way limiting

the generality of the foregoing, the undersigned acknowledges that Metro has already furnished the undersigned with necessary transportation from London, England to Los Angeles, California, and further acknowledges that all obligations of Metro with reference to the furnishing of any transportation other than such transportation as Metro is to furnish under the provisions of paragraph 14 of the foregoing agreement, have been fully complied with.

Dated July 5th, 1934.

(Signed) CHARLES LAUGHTON [118]

EXHIBIT "J"

STIPULATION OF FACTS

Metro-Goldwyn-Mayer Corporation
Studios
Culver City
California

August 25, 1934.

Motion Picture and Theatrical Industries, Ltd.
c/o Metro-Goldwyn-Mayer Corporation
Culver City, California

Gentlemen:

This will confirm the following agreement between us:

1. For convenience you are hereinafter sometimes referred to as "Industries", the undersigned, Metro-Goldwyn-Mayer Corporation, is sometimes referred to as "the Producer", and Charles Laughton is sometimes referred to as "the Artist".

2. Paragraph 1 of an agreement executed between you and ourselves under date of July 6, 1934 (said agreement being hereinafter sometimes designated "the prior agreement") is hereby incorporated herein and made a part hereof as though fully set out herein.

3. Paragraph 2 of the prior agreement is also incorporated herein and made a part hereof, except that the reference in said Paragraph 2 incorporated herein to "two photoplays" is hereby stricken therefrom and in lieu thereof is hereby substituted and inserted the words and figures "one photoplay". And a similar deletion and substitution shall be deemed to be made with respect to any and all other paragraphs of the prior agreement hereinafter incorporated herein by reference.

4. Paragraphs 3, 4, 5, and 7 of the prior agreement are also incorporated herein as aforesaid, excepting that any references in said paragraphs so incorporated to photoplays in the plural number shall be deemed and construed to be references in the singular number to the photoplay to be produced hereunder.

5. The term of this agreement shall be for such period as may be necessary to permit the Artist to complete the rendition of all services which may

be necessary to complete the portrayal of the role of "Micawber" in the photoplay "David Copperfield", subject however to the [119] provisions hereinafter contained with respect to the compensation to be paid you for said services. The said term shall commence on the day next following the completion of the rendition of the artist's services in the portrayal of a role which he is now rendering in a photoplay now being produced by Paramount Productions, Inc., which commencement date will be on or about October 1, 1934 and shall continue thereafter for such period of time as may be necessary to permit the artist to complete the portrayal of said role in "David Copperfield", but shall not continue after the completion of the rendition of all of the artist's services to be rendered to us in portraying a role in the photoplay now known as "Marie Antoinette" pursuant to a contract between you and ourselves dated July 6, 1934. It is understood and agreed that we shall have the right during the first four (4) weeks of said term to use the services of the artist in the enactment of the said role in "David Copperfield" and that thereafter as far as possible we shall endeavor to make the term of this agreement concurrent with the term of said agreement of July 6, 1934; provided, however, that the artist, without his consent shall not on any one day be required to render his services as an actor in both the enactment of said role in "Marie

Antoinette" and the enactment of said role in "David Copperfield"; and provided further that no day or days upon which the artist renders his services in the enactment of said role in "David Copperfield" shall be reckoned or counted as a part of the allotted term or period for the rendition of the artist's services in portraying the said role in "Marie Antoinette".

6. On condition that you and the Artist fully and completely observe and perform every provision herein contained to be performed by you and the Artist, or either, we agree to pay to you as compensation for all services and rights herein granted or agreed to be granted us herein the sum of Fifty-five Thousand Dollars ($55,000.00) in thirteen (13) equal weekly installments, payable on Saturday of each week after the commencement of the term, for services rendered up to and including the preceding Wednesday.

7. Paragraphs 8 to 15, both inclusive, of the prior agreement are hereby incorporated herein and made a part hereof as aforesaid, excepting only that the provisions of Paragraphs 8 and 9 of the prior agreement with respect to the second photoplay therein mentioned (rather than such provisions which relate to the first photoplay therein mentioned) shall govern and be deemed applicable to the Artist's services hereunder and to the photoplay to be produced hereunder.

8. On condition that the Artist completes the portrayal of the role hereunder, we agree to star

the name of the Artist on the screen and in advertising and paid publicity issued by us in connection with said photoplay. The Artist's credit on the screen shall be in substantially [120] the following form:

CHARLES LAUGHTON
as
MICAWBER
in
DAVID COPPERFIELD

The name of the Artist displayed on the screen as aforesaid shall be in type at least Fifty (50) percent as large as the type displaying the title of said photoplay, and the name of the Artist shall be in type not less than twice as large as that used to display the name of any other member, of said cast. The last sentence (commencing with the words "nothing herein contained") of Paragraph 16 of the prior agreement, is hereby incorporated herein and made a part hereof.

9. It is understood that the Artist is under certain commitments with respect to his services to London Film Productions, Ltd., and, notwithstanding anything to the contrary hereinabove contained, this entire contract shall be null and void and none of the obligations created hereby shall be enforceable or have any effect whatsoever until and unless we or you and/or the Artist secure the consent and approval of said London Film Productions, Ltd. so that the services of the Artist

may be rendered to us as provided in this contract.

If the foregoing correctly states our agreement will you kindly indicate that fact by signing your name in the space hereinbelow provided for that purpose.

Very truly yours,

METRO-GOLDWYN-MAYER CORPORATION

By (signed) E. J. MANNIX
Vice-President

Approved and Accepted 8-25-34

MOTION PICTURE AND THEATRICAL INDUSTRIES, LTD.

By (signed) LOYD WRIGHT
Its Atty.-in-Fact

As an inducement to Metro-Goldwyn-Mayer Corporation to enter into the foregoing agreement I hereby agree that each and all of the agreements, terms, conditions and provisions of an agreement signed by me on July 5, 1934 and attached to the said prior agreement, shall be deemed fully applicable to the foregoing agreement in the same manner and to the same extent as though my said agreement of July 5, 1934, were herein fully set forth and executed by me.

(signed) CHARLES LAUGHTON [121]

Metro-Goldwyn-Mayer Corporation
Studios
Culver City
California

August 25, 1934.

Motion Picture and Theatrical Industries, Ltd.,
c/o Metro-Goldwyn-Mayer Corporation,
Culver City, California.
Gentlemen:

Attention—Mr. Loyd Wright.

Supplementing our agreement, executed concurrently herewith, for the services of Charles Laughton in our photoplay "David Copperfield", it is understood and agreed that paragraphs 5 and 6 of said contract shall be amended as follows:

5. The last sentence of paragraph 5 of said contract shall end with the words "David Copperfield" appearing in the fifth line from the end of the paragraph and the remainder of the sentence is hereby stricken therefrom.

6. The following is hereby inserted as the last sentence of paragraph 6 of said contract:

> "It is agreed that if all services herein agreed to be performed by the artist have been completed prior to the full payment to you of said sum of Fifty-five Thousand Dollars ($55,000.00) the entire unpaid balance thereof shall be due and payable to you upon such completion."

If the foregoing is in accordance with your understanding of our agreement, kindly indicate your approval and acceptance thereof in the space hereinbelow provided.

Yours very truly,
METRO-GOLDWYN-MAYER
CORPORATION
By (signed) E. J. MANNIX
Vice-President.

Approved and Accepted:
MOTION PICT. & THEATRICAL INDUSTRIES, LTD.
By (signed) LOYD WRIGHT
Its Atty. in fact.
(signed) CHARLES LAUGHTON [122]

EXHIBIT "K"

STIPULATION OF FACTS

This agreement made and entered into this 25th day of August, 1934, by and between Metro-Goldwyn-Mayer Corporation, a New York corporation, hereinafter referred to as the "producer", and Motion Picture and Theatrical Industries, Limited, a company organized under the Companies Act of 1929 of England, hereinafter referred to as "Industries",

Witnesseth:

For and in consideration of the covenants, conditions, warranties, representations and agreements

hereinafter contained and set forth, the parties hereto have agreed and do hereby agree as follows:

1. Industries hereby warrants and represents to the producer that Industries and Charles Laughton, hereinafter referred to as the "artist", have heretofore entered into an agreement with each other whereby Industries has become entitled to the services of the artist for a period extending for at least the length of time that the producer will be entitled to the services of the artist hereunder. The producer is desirous of obtaining the sole and exclusive services of the artist as hereinafter provided, and Industries desires and is willing to permit the producer so to employ the artist upon the terms hereinafter provided. Industries represents and warrants to the producer that the artist expects to benefit by the execution and carrying out of this agreement by the parties hereto and as an inducement to the producer to enter into this agreement Industries agrees and guarantees that the artist will fully and faithfully keep and perform each and all of the services, obligations and agreements which are to be kept and performed by the artist under the terms of this agreement, as fully as though this agreement were made solely between the producer and the artist and as though the compensation payable by the producer hereunder were to be paid directly to the artist. Industries further agrees and guarantees that the artist will keep and perform any and all agree-

ments, duties and obligations assumed by Industries hereunder so far as the full performance thereof necessitates that the artist do or refrain from doing any act or thing; and Industries agrees that it will keep and perform any agreements, duties or obligations assumed or which the Industries agrees will be performed by the artist hereunder, so far as the full performance thereof necessitates that Industries do or refrain from doing any act or thing.

2. Pursuant to the provisions of the preceding paragraph the producer hereby employs and engages the artist to render his services as an actor solely and exclusively for the producer in connection with two (2) photoplays to be produced by the producer as hereinafter more specifically provided, and Industries hereby agrees to furnish the services of the artist to the producer hereunder and agrees that the artist will fully and completely keep and perform each and all of the agreements, [123] duties and obligations for the performance of which the services of the artist are to be furnished to the producer, as in this agreement provided. The term "photoplays", as used in this agreement, shall be deemed to include, but not be limited to, motion picture productions, produced and/or exhibited with sound and voice recording, reproducing, and/or transmitting devices, radio devices, and all other improvements and devices which are now or may hereafter be used in con-

nection with the production and/or exhibition and/or transmission of any present or future kind of motion picture productions.

3. Industries agrees that the artist will act, pose and appear solely and exclusively for and as requested by the producer hereunder; that he will promptly and faithfully comply with all reasonable instructions, requests, rules and regulations made by the producer in connection herewith; and that he will perform and render his services hereunder conscientiously and to the full limit of his ability and as instructed by the producer, at such times and places as the producer may designate.

4. Industries agrees that at all the times during which, under the terms of this agreement, the services of the artist are to be rendered for the producer, such services shall be rendered solely and exclusively for the producer, and that the artist will not during any such times render his services as an actor, or pose, act, appear, write, direct or render any other services in any way connected with motion pictures or photoplays, nor will he render any services of any kind or character whatsoever in any way connected with dramatic, theatrical, musical, vaudeville, radio, television or other productions, shows, performances and/or entertainment, nor will he render any similar services to or for himself or for Industries or to or for any person, firm or corporation other than the producer, without the written consent of the producer first

had and obtained. Industries further agrees that it will not consent to nor authorize nor permit any other person to advertise, announce or make known, directly or indirectly, by paid advertisements, press notices or otherwise, that the artist has contracted to do or perform any act or services contrary to the terms of this agreement. The producer shall have the right to institute any legal proceedings, in the name of Industries and/or the artist and/or otherwise, to prevent such acts, or any of them.

5. Industries expressly gives and grants to the producer the sole and exclusive right to photograph and/or otherwise reproduce any and all of the artist's acts, poses, plays and appearances of any and all kinds in connection with the photoplays in which the artist is to appear hereunder, and to record his voice and all instrumental, musical and other sound effects produced by him, and to reproduce and/or transmit the same, either separately or in conjunction with such acts, poses, plays and appearances as the producer may desire; and further gives and grants to the producer solely and exclusively all rights of every kind and character whatsoever in and to the same, or any of them, perpetually, including as well the perpetual right to use the name of the artist and pictures or other reproductions of the artist's physical likeness, recordations and reproductions of the artist's voice in connection with the advertising and exploitation thereof. The producer shall have the right to "double" or

"dub" the acts, poses, plays and appearances of the artist [124] and, as well, the voice of the artist and all instrumental, musical and/or other sound effects to be produced by the artist to such extent as may be desired by the producer, such doubling or dubbing as to the artist's voice, however, to be only in such foreign language and/or languages as may be designated or desired by the producer, except that the same may be in the English language in the following events:

(a) When necessary to expeditiously meet censorship requirements;

(b) In connection with hazardous acts which might result in physical injury to the artist;

(c) In connection with "long shots" and "process shots";

(d) In the event of failure, refusal or neglect on the part of the artist to comply with the duties and obligations which Industries herein agrees will be performed by him, or when the artist is not available; and

(e) When the artist is unable to meet certain special requirements of a role which requires particular knowledge, talent or ability other than that possessed by the artist.

Industries also hereby grants to the producer the sole and exclusive right to make use of and distribute the name of the artist and pictures, photographs and other reproductions of the artist's

physical likeness and recordations and reproductions of the artist's voice for advertising, commercial and/or publicity purposes in connection with advertising, publicity and/or exploitation in which the title of the photoplay or photoplays in which the artist renders services hereunder also appears; provided, however, that the rights herein granted to the producer shall be used for such commercial purposes only if a reproduction of the physical likeness of all other principal members of the cast is also reproduced in conjunction with that of the artist or, if the names of all other principal members of the cast are used in conjunction with the artist's name in cases where the name and not the physical likeness of the artist is used. Industries agrees that neither it nor the artist will at any time during said term grant the right to, authorize or willingly permit any person, firm or corporation, other than the producer, to make use of the name of the artist or to make use of or distribute his pictures, photographs or other reproductions of his physical likeness, excepting only as hereinafter more specifically provided, and the producer is authorized, in the name of Industries and/or the artist and/or otherwise, to institute any proper legal proceedings to prevent such acts or any of them.

6. In the event that the producer desires at any time or from time to time to apply, in its own name or otherwise, but at its own expense, for life, health, accident, or other insurance covering the artist, In-

dustries agrees that the producer may do so and may take out such insurance for any sum which the producer may deem necessary to protect [125] its interests hereunder. The artist shall have no right, title or interest in or to such insurance, but Industries agrees that the artist nevertheless will assist the producer in procuring the same by submitting to the usual and customary medical and other examinations and by signing such applications and other instruments in writing as may reasonably be required by such insurance company or companies. Any and all policies of life, health or other insurance covering the artist obtained by the producer hereunder may be taken over and assumed by the artist upon the completion of all services to be performed by the artist in connection with all of the photoplays in which the artist is to appear hereunder, provided that Industries or the artist makes all necessary arrangements with and obtains all necessary consents of the insurance company or companies writing such insurance, upon payment to the producer of the cash surrender value, if any, of the policy or policies desired to be taken over or assumed by the artist.

7. The periods of weeks hereinafter in paragraph 16 provided for with respect to each photoplay in which the artist is to appear hereunder will hereafter for convenience, as to each such photoplay, be hereinafter referred to as the "specified period". For the purposes of this agreement, ex-

cept as hereinafter otherwise provided, each photoplay in which the artist is to appear for the producer hereunder shall be deemed to be "in production" from the date on which the artist is scheduled by the producer to report to the producer in connection with such photoplay until the production of such photoplay is completed or until the date of any cancellation of such photoplay; it being expressly understood that the prevention or postponement of the commencement of the artist's services in any such photoplay by reason of the happening of any of the contingencies specified in paragraphs 7, 8 or 9 hereof shall have the same effect as though such contingencies had occurred during the actual rendition of the artist's services in connection with such photoplay. If while any such photoplay is in production the artist shall be incapacitated by reason of mental or physical disability or otherwise from fully performing the terms or complying with each and all of his obligations hereunder or if he suffer any facial or physical disfigurement materially detracting from his appearance on the screen or interfering with his ability to perform properly his required services hereunder or if his present facial or physical appearance be materially altered or changed or if he suffer any impairment of his voice materially affecting his ability to perform properly hereunder (such disability and/or incapacity and/or facial and/or physical disfigurement and/or change of

appearance and/or impairment of voice being sometimes hereinafter for convenience referred to as "illness"), then and in either or any of said events the obligations of the producer under this agreement shall be suspended during the period of such illness, and the period of such suspension shall not be included in computing the "specified period" applicable to the photoplay in respect of which such suspension shall have occurred. During the period of such, or any, suspension pursuant to any right therefor herein given, no payments whatsoever shall be made to Industries by the producer. In the event of the continuance of such illness for a period or aggregate of periods in excess of two (2) weeks while any photoplay in which the artist is to appear for the producer hereunder is in production, the producer shall have the right, at its option, to terminate the employment of the artist with respect to the photoplay in respect of which such illness shall have occurred. In the event of such termination with reference to such photoplay the producer may nevertheless complete such [126] photoplay with another person in the role which was being or was to have been portrayed by the artist therein, and the completion of such photoplay with such other person shall not affect the producer's right of termination with respect to such photoplay. The number of photoplays in which the producer is obligated to furnish employment to the artist hereunder and with respect to

which Industries is entitled to compensation hereunder shall be reduced by the number of photoplays in connection with which the producer may exercise its right of termination. It is agreed that if either Industries or the artist allege that the artist is incapacitated by illness or other disability or incapacity from the full and faithful performance of this agreement the producer shall have the right, at its option, to have medical examinations of the artist made by such physician or physicians as the producer may designate.

8. If, while any photoplay in which the artist is to appear hereunder is "in production" (as said phrase "in production" is hereinabove defined), the production activities of the producer with respect to such photoplay be materially hampered, interrupted or interfered with by reason of fire, casualty, strike, labor conditions, lockouts, war, act of God, or by the enactment of any municipal, state or federal ordinance or law, or by the issuance of any executive or judicial order, whether municipal, state or federal, or by any other legally constituted authority, or by any other cause of the same or any similar kind or character, or if for any reason whatsoever the majority of the motion picture theatres in the United States shall be closed for a week or any period in excess of a week, the obligations of each of the parties hereto under this agreement, at the option of the producer, shall be suspended likewise during the continuance of such

event or events, and the period or periods of the continuance of such event or events shall not be included in computing the "specified period" applicable to the photoplay in connection with which the artist was rendering or was to have rendered his services at the time of the occurrence of such event or events. In the event of the continuance of such event or events for a period or aggregate of periods in excess of four (4) weeks while any photoplay in which the artist is to appear hereunder is in production, then and in either of said events Industries or the producer, at their or its option, may elect to terminate the artist's employment in respect of such photoplay; provided, however, that should Industries desire to elect to terminate the artist's employment in connection with such photoplay it shall serve notice of such desire upon the producer, and if the producer should not resume the payment of such installment or installments, if any, as would be payable to Industries hereunder in the absence of the happening of such event or events, commencing as of not later than two (2) days after the receipt of such notice from Industries, then and in that event the employment of the artist hereunder in connection with such photoplay shall be terminated. If the producer should resume the payment of such installments, commencing as of not later than two (2) days after the receipt of such notice, then and in that event the employment of the artist in connection with such

photoplay shall not be terminated, but shall continue in full force and effect. In the event of the termination of the employment of the artist in respect of any photoplay pursuant to the preceding provisions of this paragraph, the producer shall be released from the obligation to pay any installment or installments of compensation to Industries in connection with the photoplay as to which such termination is effective, accruing after the date of such termination.

9. It is distinctly understood and agreed by and between the [127] parties hereto that the service to be rendered by the artist under the terms hereof, and the rights and privileges granted to the producer by Industries under the terms hereof, are of a special, unique, unusual, extraordinary and intellectual character which gives them a peculiar value, the loss of which cannot be reasonably or adequately compensated in damages in an action at law, and that a breach by the artist and/or by Industries of any of the provisions contained in this agreement will cause the producer irreparable injury and damage. Industries hereby expressly agrees that the producer shall be entitled to injunctive and other equitable relief to prevent a breach of this agreement by the artist and/or by Industries. This provision, however, shall not be construed as a waiver of any other rights that the producer may have in the premises, for damages or otherwise. Any failure on the part of Industries to perform

and/or comply with its obligations hereunder or any failure, refusal or neglect on the part of the artist to perform any of the obligations and/or agreements which Industries agrees will be performed by the artist, hereunder, will hereinafter for convenience be referred to as a "breach". In addition to all other rights and remedies which the producer may have, the producer, at its option, in the event of any breach, shall have the right to refuse to pay Industries any compensation during the continuance of such breach. The producer shall have the further right at any time during the continuance of such breach, to terminate this agreement, or, if it so desires, the producer may terminate the employment of the artist only as to the photoplay with respect to which such breach shall have occurred, in which latter case the total number of photoplays in connection with which the producer is obligated hereunder to employ the artist, shall be reduced accordingly. The producer shall have the further right, at its option, at any time during the continuance of such breach, to complete the photoplay with respect to which such breach shall have occurred with another person in the role which was being or which was to have been portrayed by the artist therein, and in such case this agreement shall be suspended both as to services and as to the payment of any installment or installments of compensation to Industries during the period reasonably required for such other

person to complete such photoplay, and the total number of photoplays in connection with which the producer is obligated hereunder to employ the artist shall be reduced accordingly. If because of any breach the employment of the artist shall have been terminated with respect to the photoplay in connection with which such breach shall have occurred, or if another person shall have been substituted to complete the artist's role in such photoplay, as herein provided, all installments of compensation paid by the producer to Industries with respect to such photoplay prior to such termination or substitution shall be applied against the compensation payable to Industries with respect to the next photoplay in connection with which the producer is obligated hereunder to employ the artist; provided, however, that if any such termination or substitution shall have occurred in connection with the last photoplay in which the artist is to appear hereunder, or if because of any such breach occurring in connection with any photoplay the producer shall have terminated this agreement in its entirety, all installments of compensation paid by the producer to Industries with respect to such photoplay prior to such termination or substitution shall be repaid by Industries to the producer on demand. In addition to all other rights and remedies herein given the producer in event of any breach of this agreement by Industries and/or the artist, the producer, at its option, shall have the

right to suspend all of the producer's obligations under [128] this agreement during the duration of such breach and the period of such suspension shall not be included in computing the "specified period" applicable to the photoplay in respect of which such suspension shall have occurred. Each and all of the several rights, remedies and options of the producer contained in this agreement shall be construed as cumulative and no one of them as exclusive of the others or of any right or priority allowed by law.

10. No waiver by the producer of any breach of any covenant or provision of this agreement shall be deemed to be a waiver of any preceding or succeeding breach of the same or any other covenant or provision.

11. All notices which the producer is required or may desire to give the artist or Industries or both may be given by addressing the same either to Industries or the artist, or both, in care of Frank Joyce-Myron Selznick, Ltd., 9460 Wilshire Blvd., Beverly Hills, California, or by addressing the same to such other address as may be designated from time to time in writing by Industries or the artist, and in either case by depositing the same so addressed postage prepaid in the United States mail at Culver City or Los Angeles, California; or by delivering the same so addressed to any telegraph or cable company, or, at its option, the producer may deliver such notice as it is required or may

desire to give the artist or Industries to the artist personally or to any officer of Industries either in writing, or unless otherwise specified herein, orally. If the producer elect to mail such notice or to send the same by telegraph or cable then the date of mailing thereof or the date of delivery to the telegraph or cable office, whichever method may be selected by the producer shall be the date of the service of such notice. Notice given either to the artist or to Industries as aforesaid shall for all purposes be and be deemed to be notice to both the artist and to Industries.

12. The producer shall provide, at its own expense, all visible wardrobe necessary for any and all roles to be portrayed by the artist hereunder, but the artist agrees to use for any such role any wardrobe owned by the artist which is proper for the purpose, it being agreed that all wardrobe furnished or paid for by the producer shall be the property of the producer and returned promptly to it.

13. Should the artist be required to perform any services hereunder in any place other than the city of Los Angeles, California, or its environs, the producer shall pay for and/or furnish the necessary and reasonable food, lodging and transportation (including drawing room, when available) reasonably required for the artist and the artist's valet on account of the rendition of such services.

14. In the event of the merger or consolidation of the producer with any other corporation or corporations, or in the event of the sale or transfer by the producer of a major portion of its assets, or of its business or good-will, then and in either or any of said events the producer shall have the right to assign and/or transfer its rights hereunder in whole or in part to such successor in interest of the producer, and in the event of such assignment or transfer the artist shall continue to perform his duties and obligations according to the terms and tenor hereof, to or for such assignee and/or transferee. [129]

15. The producer agrees to give the name of the artist credit as star or co-star on the screen and in advertising and paid publicity issued by the producer in connection with each photoplay in which the services of the artist are completed hereunder. Such credit shall be given in type at least as large as that in which the name of the person or persons costarred with the artist is displayed and shall precede the name of any other member of the cast except only the name of one recognized female star of outstanding reputation. If the artist is starred such credit shall be given in type larger than that used to display the name of any other member of the cast and shall precede the name of any other member of the cast. Nothing herein contained shall be construed so as to prevent so-called "teaser" and/or special advertising, publicity and/

or exploitation relating to the story upon which each respective photoplay is based, any of the members of the cast, the director, the author, or similar matters, without mentioning the name of the artist, or as to prevent so-called "trailer" or other advertising on the screen without mentioning the name of the artist, and no casual or inadvertent failure to comply with the provisions of this paragraph shall constitute a breach of this agreement.

16. The producer agrees to pay Industries for all rights herein granted and/or agreed to be granted to the producer and for the full and complete performance by Industries of each and all of its obligations and agreements hereunder and for the full and complete performance by the artist of each and all of the obligations and agreements which Industries agrees will be performed by the artist, the sum of Seventy-five Thousand Dollars ($75,000.00) for each photoplay in which the artist completes his services for the producer during the original term hereof. Said compensation shall entitle the producer to the exclusive services of the artist in connection with each photoplay for a period of thirteen (13) weeks from and after the date of commencement of the services of the artist in connection with such photoplay, exclusive of the period or periods of the continuance of any of the contingencies referred to in paragraphs 7, 8 and 9 hereof. Upon the expiration of said thirteen (13) weeks period the artist, for a period of two (2)

weeks, shall be subject to call and shall keep himself available for the purpose of making retakes, added scenes and/or changes, and the producer shall not be liable to pay any compensation during said period of two (2) weeks, unless the artist's services are actually used by the producer, in which event the compensation therefor shall be at the rate hereinafter prescribed, either weekly or daily, as the case may be. Said period of thirteen (13) weeks, computed as herein provided plus the extension for not more than two (2) additional weeks as aforesaid, is the period, which, as applied to each photoplay, is herein referred to as the "specified period". The compensation payable by the producer hereunder shall, as to each photoplay, be payable at a weekly rate which shall be an amount equivalent to one-thirteenth (1/13th) of the total compensation payable to the artist in connection with such photoplay, which shall be payable on Saturday of each week covering the period up to and including the Wednesday preceding. Should the portrayal of the artist's role in any photoplay, including retakes, added scenes and/or changes, be completed prior to the payment to Industries of the full compensation payable by the producer for the entire specified period applicable to such photoplay, the entire unpaid balance of such compensation shall be payable to Industries upon the completion of such role [130] including retakes, added scenes and/or changes. Should the artist's

services in connection with the ordinary photographing of his role in any photoplay be required by the producer after the expiration of the specified period applicable to such photoplay, compensation for such time thereafter as the artist's services are required by and actually rendered for the producer in connection with such ordinary photographing shall be payable to Industries at a weekly rate which shall be equivalent to one-thirteenth (1/13th) of the designated amount payable to Industries with respect to such photoplay. In computing the amount of the installment of compensation payable to Industries in respect of any week during which the services of the artist shall have been rendered for less than a full week, the weekly rate shall be prorated and for this purpose the daily rate shall be one-sixth (1/6th) of the weekly rate. If after the completion of the ordinary photographing of the artist's role in any photoplay the producer should desire the additional services of the artist in the making of retakes, added scenes and/or changes in connection with such photoplay, Industries agrees that the artist will render such services for the producer at such time or times as may be required by the producer until the same are completed. The producer agrees, however, that it will exert every effort to the end that such retakes, added scenes and/or changes will be completed as soon after the completion of ordinary photography of such photoplay as is reasonably practical. Should

the services of the artist be required in connection with retakes, added scenes and/or changes for any photoplay after the expiration of the specified period with respect to such photoplay, then and in that event compensation for such services in retakes, added scenes and/or changes shall be payable for the period or term commencing with the day next following the expiration of such specified period and ending with the last day upon which the artist is so required to render such services. In computing the amount of compensation payable during the said last mentioned term or period in respect of any week during which such services of the artist shall have been so rendered for less than a full week, the weekly rate shall be prorated and for this purpose the daily rate shall be one-sixth (1/6th) of the weekly rate. Notwithstanding anything hereinabove set forth, it is understood and agreed that should the artist be required to render his services in connection with retakes, added scenes and/or changes for any one photoplay during the specified period of any subsequent photoplay in which he is then appearing for the producer hereunder, the artist shall render his services in the making of such retakes, added scenes and/or changes as and when required so to do by the producer, but the producer agrees that it will not require the artist, without his consent, to render his services in two photoplays on the same day, and although no compensation for the rendition by the artist

of his services in such retakes, added scenes and/or changes shall under such circumstances be paid to Industries, nevertheless, the day or days on which such services are so rendered by the artist shall be considered as part of the specified period of such subsequent photoplay and shall be paid for as such by the producer.

17. The photoplays in which the artist is to appear hereunder and the roles to be portrayed by the artist therein shall be selected by the producer. The producer agrees that it will produce the two photoplays herein provided to be made during the specified term consecutively, if Industries or the producer are able to make arrangements with [131] London Film Productions, Limited, so that the services of the artist will be available. If such arrangements cannot be made with London Film Productions, Limited, then Industries agrees that it will notify the producer at least sixty (60) days in advance of the date on which the services of the artist will be available for the making of each photoplay during the specified term, and shall notify the producer at least sixty (60) days in advance when the services of the artist will be available to commence the rendition of his services in making the photoplays provided for in each option period hereunder. In this connection, it is expressly agreed that the photoplays to be made in each of said option periods shall be made consecutively; if after giving any such sixty day notice, the artist

is delayed in reporting to the producer at its studios at Culver City, California, then the period with respect to which said sixty day notice shall have been given shall be extended for a time equal to the difference between the date specified in said sixty day notice and the date on which the artist actually reports. Industries agrees that the artist will report to the producer pursuant to any such notice given by it, at its studios at Culver City, California, or at such other place as the producer may designate, and that if after having given such a sixty day notice Industries ascertains within thirty days after the giving of such sixty day notice that the services of the artist will not be available upon the date specified in said notice, it shall immediately notify the producer in writing of such fact and specify a subsequent date not more than sixty (60) days after the service of said last mentioned notice, upon which subsequent date the services of the artist will be available, and thereafter, but without affecting the obligation of Industries and/or the artist to have the artist report at the time provided in said second notice, Industries and/or the artist from time to time shall advise the producer of the probable date upon which the artist will actually so report in order that the producer in making the necessary arrangements to avail itself of the artist's services, will be inconvenienced to the least extent possible. The two photoplays in which the artist is to appear during

the original term hereof shall be produced (except as hereinafter otherwise provided) during the period commencing on the day next following the expiration of that certain contract between the producer and Industries dated July 6, 1934, and continuing until the expiration of one year after March 1, 1935, unless such period be extended or be sooner terminated as elsewhere in this agreement provided. In this connection, it is agreed that the first photoplay to be made during the original term shall, if it can be so arranged with London Film Productions, Limited, be entitled "He Who Gets Slapped", and shall commence (a) immediately upon the expiration of the contract between the producer and Industries, dated July 6th, 1934, or (b) immediately upon the completion of the artist's services to be rendered to the producer under the proposed contract (if executed) between the producer and Industries in connection with the rendition of the artist's services in connection with the production of the photoplay "David Copperfield", whichever is later. In computing said period of one year after March 1, 1935, and any and all following yearly periods herein referred to, there shall be excluded any and all periods during which any of the contingencies referred to in paragraphs 7, 8 and 9 hereof shall have continued. If at the time of the expiration of said period of one year after March 1, 1935, or of any yearly period herein referred to, the artist is engaged in rendering [132]

services hereunder in connection with a photoplay then uncompleted, then the current one year period, at the option of the producer, may be extended for the time reasonably required to complete all services which the producer may require of the artist in connection with such photoplay. If and as often as there shall be an extension of any one year period, the commencement of the succeeding one year periods and, as well, the time for exercising the next following option shall be extended accordingly. The phrases "term of this agreement" or "term hereof" or their equivalent as used herein, shall be deemed to refer to the original period herein permitted for the production of said two photoplays, to-wit: to the period ending one year after March 1, 1935, (unless extended as herein elsewhere provided), or to any of the optional yearly periods hereinafter in paragraph 20 provided for, whichever may be current at the time referred to.

18. It is understood that the roles to be portrayed by the artist hereunder shall be assigned to the artist by Mr. Irving G. Thalberg (hereinafter referred to as "Mr. Thalberg"), and that the artist shall render and perform his required services hereunder under the supervision of Mr. Thalberg. If at the time any role is to be assigned to the artist hereunder or if during the time the artist is engaged in rendering his services in connection with the production of any photoplay hereunder Mr. Thalberg should become incapacitated or for any other

reason should be unable or unavailable (provided that Mr. Thalberg for the purposes of this agreement shall not be deemed to be so unable or unavailable while he is engaged in rendering services in the ordinary and customary manner to the producer otherwise than in connection with this contract) to assign such role or to supervise the work of the artist, the assignment of such role shall be made by and the services of the artist shall be rendered under the supervision of such other person or persons as may be designated by Mr. Thalberg. In the event of the continuance of the incapacity or unavailability of Mr. Thalberg for a period of four (4) months during the term hereof or in the event of the severance of Mr. Thalberg's relations with the producer, Industries shall have the right to discontinue the artist's services for the producer as to any further period or periods of the artist's employment hereunder; it being understood that such right, if exercised, shall become effective upon the expiration of the then current term of the artist's employment hereunder, but that the artist shall continue to render his services for the producer hereunder for the entire unexpired balance of the then current term hereof. In the event of the happening of any of the foregoing contingencies and in the event Industries should elect to exercise the rights of termination hereinabove specified, written notice of such election shall be served upon the producer by Industries not later than four (4)

weeks after written notice from the producer that the incapacity or unavailability of Mr. Thalberg has continued for four (4) months, or within four (4) weeks after notice from the producer of the severance of Mr. Thalberg's relations with the producer (whichever contingency may give rise to the exercise of said right). Such written notice from the producer, in either of the contingencies last above mentioned, shall be so served by the producer promptly after the continuance of such incapacity or unavailability for four (4) months, or promptly upon such severance of Mr. Thalberg's relations, as the case may be. In the event of such election on the part of Industries, Industries and the producer shall be released from [133] all obligations hereunder accruing after the expiration of the then current term of the artist's employment hereunder.

19. In connection with each photoplay in which the artist travels from England to Los Angeles to render his services for the producer hereunder, the producer shall furnish or pay for the reasonable cost of transportation for the artist, the artist's wife and the artist's valet from England to Los Angeles. The producer further agrees that if the artist should desire to return to England upon the completion of the artist's engagement in connection with such photoplay and if the artist is not to remain here to render services in connection with another photoplay, the producer will furnish or pay

for similar return transportation to England for the artist, the artist's wife and his valet; provided, however, that in no event shall the producer be obligated to furnish or pay for any return transportation for the artist or his wife or his valet if he returns to England or elsewhere to render services in a photoplay for London Film Productions, Limited, or any other foreign producer.

20. In consideration of the execution of this agreement by the producer and of the producer's consent to the amount of compensation herein specified, Industries hereby gives and grants to the producer the following rights or options:

(a) To employ and engage the services of the artist from Industries to render his services for the producer in roles to be selected by the producer in two (2) additional photoplays to be produced during the period of one (1) year next following the expiration of the period of one (1) year hereinabove in paragraph 17 referred to, upon the same terms and conditions as herein contained and set forth, except that the compensation payable to Industries for the artist's services in connection with each of said two (2) photoplays shall be the sum of Eighty-five Thousand Dollars ($85,000.00).

(b) To employ and engage the services of the artist from Industries to render his services for the producer in roles to be selected

by the producer in two (2) additional photoplays to be produced during the period of one (1) year referred to in subdivision (a) of this paragraph 20, upon the same terms and conditions as herein contained and set forth, except that the compensation payable to Industries for the artist's services in connection with each of said two (2) photoplays shall be the sum of one hundred thousand dollars ($100,000.00).

(c) To employ and engage the services of the artist from Industries to render his services for the producer in roles to be selected by the producer in two (2) additional photoplays to be produced during the period of one (1) year next following the expiration of the period of one (1) year referred to in subdivision (b) of this paragraph 20, upon [134] the same terms and conditions as herein contained and set forth, except that the compensation payable to Industries for the artist's services in connection with each of said two (2) photoplays shall be the sum of one hundred ten thousand dollars ($110,000.00).

The option hereinabove in subdivision (a) granted to the producer may be exercised by the producer at any time prior to three (3) weeks after the commencement of photography of the second photoplay to be produced under this agreement. Each remaining option hereinbefore referred to may be exercised separately within thirty (30) days after

the completion of the artist's services with respect to the second photoplay in the yearly period during which the photoplays referred to in the next preceding option are to be produced or not later than forty-five (45) days before the end of such yearly period, whichever date is earlier or if Alexander Korda is not an independent motion picture producer in Europe and producing films of the same quality and standard as those now being produced by London Film and has not a major release for his film products then such option may be exercised at least ninety (90) days prior to the expiration of the yearly period commencing March 1, 1935, or of any additional yearly period herein provided for, may elect to exercise all or any of the options not already exercised, in which event the artist shall be engaged by the producer as provided in the option or options so exercised by the producer. The exercise by the producer of any one or more of said options shall not be construed as an election by the producer not to exercise the remaining options. All notices of the exercise of any option shall be in writing and shall be served upon Industries within the periods above specified.

21. Industries hereby warrants to the producer that under certain contractual obligations which Industries has with London Film Productions, Limited (hereinafter referred to as "London Film"), London Film has an option on the services of the artist during the period of one year com-

mencing March 1, 1936. It is the desire of Industries and the producer that the second photoplay in which the artist is to appear for the producer under this agreement shall, if possible, be produced prior to March 1, 1936, but if the producer is unable to make the arrangements necessary for the production of said second photoplay prior to March 1, 1936, then and in that event said second photoplay shall be produced as soon after March 1, 1936, as practical; and in the event that London Film exercises said option, then such second photoplay shall be produced during the one year period commencing March 1, 1936, if the producer or Industries are able to make the necessary arrangements therefor, or if the producer or Industries are unable to make the necessary arrangements therefor, then said second photoplay shall be produced as soon after March 1, 1937, as possible, and in such event the original term of this agreement shall be extended so that said second photoplay may be completed by the producer hereunder. Industries agrees to notify the producer in writing prior to February 1, 1936, as to whether or not said option has been exercised by London Film. It is further understood and agreed that in the event of the exercise of said option by London Film then, notwithstanding anything contained in paragraph 20 the period of one year during which the photoplays provided [135] for in subdivision (a) of said paragraph 20 are to be produced, shall be postponed, and

shall in the event of such postponement, commence on the day next following the expiration of the yearly period for which such option shall have been exercised by London Film; provided, however, that if the second photoplay to be produced hereunder is not completed until after the expiration of the yearly period for which such option has been exercised by London Film, then the period of one year during which the photoplays provided for in subdivision (a) of paragraph 20 are to be produced shall be postponed until the day next following the completion of said second photoplay. Notwithstanding anything herein to the contrary, if arrangements may be made with London Film or if the contract with London Film is, for any reason, terminated, then the next photoplay or option period, whichever may be, shall be commenced by Industries giving the sixty day notice hereinbefore referred to.

22. Notwithstanding anything herein to the contrary, Industries reserves the right after the completion of the services of the artist pursuant to his contract with said London Film (after the principal term if the option herein contained is not exercised or after the option period if said option is exercised) to produce or cause to be produced or hire or lend the services of the artist in the making of two (2) motion picture photoplays in each one year period in England. Industries shall have the right without consulting Metro-Goldwyn-Mayer

Corporation to contract with London Film so long as Alexander Korda is still associated with London Film or with said Korda as long as he is an independent producer of motion pictures in Europe and is producing motion pictures of substantially the same quality and standard as those now being produced by London Film and has a major release for his motion picture products, to produce said photoplays or either of them and if no such contract to produce both of said photoplays is made by Industries with London Film Metro-Goldwyn-Mayer Corporation shall then have the first right to produce said photoplays and/or either of them not so contracted for, in England if it so desires to produce the same pursuant to all the terms hereof. If Metro-Goldwyn-Mayer Corporation shall become vested with the right to produce said photoplays and/or either of them in England as aforesaid, Industries shall notify Metro-Goldwyn-Mayer Corporation of the artist's intention to render his services in each of said photoplays, and the producer shall have two weeks after the receipt of such notice within which to notify Industries of its election to produce such photoplay and/or either or any of them referred to in said notice from Industries in England. The artist's employment in connection with such photoplays or either or any of them, should the foregoing right or rights be exercised by the producer, shall be governed by the same terms and conditions herein contained, and compen-

sation therefor shall be payable to Industries in the same amount and in the same manner as is payable with respect to the other photoplays in which the artist appears for the producer hereunder during the term concerned, except that the producer shall have the right to pay such compensation in British pounds sterling (instead of American dollars) at the rate of exchange then current. If the producer does not exercise said election within said period of time, then Industries shall be free to contract for the services of the artist in such photoplay on condition, however, that such photoplay must be produced in England or elsewhere but not in North America and must be produced either by London Film, so long as Alexander Korda is [136] still associated with London Film, or by another English producer of approximately the same standing and reputation as the present standing and reputation of London Film. If said Korda is no longer associated with London Film then in selecting the producer for such photoplay preferred consideration shall be given to said Korda or to the English producer with whom he is then associated. Industries agrees that in the event such other producer, pursuant to the terms hereof, produces any such other photoplay, Industries will only contract for the rendition of the services of the artist at a time not to conflict with the then schedule of the producer herein for the services of the artist.

It is the intention of the parties hereto that the services of the artist shall be utilized in the making of four (4) photoplays during each yearly period hereof, after the expiration or termination of the contract with London Film; that two of said photoplays will be made for the producer hereunder in the United States, and two shall be made in England, as herein provided. The photoplays to be made for the producer hereunder are to be consecutive, and the photoplays to be made in England are to be made consecutively. If the services of the artist in the making of the two photoplays for the producer hereunder in the United States, or in the making of the two photoplays in England for the producer hereunder, or for any other producer as herein provided, are required longer than twenty-six (26) weeks, then the time for the making of the remaining two photoplays during said option period (whether it be for the producer in the United States or for the producer herein or some other producer in England) shall be extended for a period of time equivalent to the time beyond twenty-six weeks during which the services of the artist are utilized in making the two preceding photoplays.

23. Notwithstanding anything herein to the contrary, it is expressly agreed by and between the parties hereto as follows:

1. That the services of the artist, except when pursuant to the terms hereof the same are to be

rendered for the producer, may be rendered for any other producer or in any other manner whatsoever, including but not limited to any dramatic, theatrical, musical, vaudeville, radio, television or other productions, shows, performances and/or entertainments; provided, however, that *is* is not intended under the provisions of this subparagraph 1, nor shall anything in said subparagraph be construed to permit the artist to render any services whatsoever as an actor in the making or producing of any photoplay or motion picture excepting the photoplays contemplated to be made with the artist and herein elsewhere specifically described or referred to.

2. That the artist shall not be required to render or perform in any radio performances.

3. That if Industries should at any time elect not to utilize the services of the artist in England, the producer will, upon receiving not less than sixty (60) days' notice in writing, so notifying it, utilize the services of the artist pursuant to the terms hereof in three [137] photoplays, with the right hereby given the producer to make four instead of three photoplays in any option period in which such a notice shall have been given it, in lieu and instead of two photoplays.

24. Concurrently herewith, the producer is entering into a contract for the services of Elsa Lanchester, wife of the artist. It is expressly agreed

that if, and in the event that said contract of said Elsa Lanchester is terminated and cancelled by the producer for any reason other than (a) her failure without cause to fulfill and perform her obligations under said contract and/or (b) pursuant to any right therefor given to the producer under the terms of paragraph 5 of the contract between the producer and said Elsa Lanchester of even date herewith, then and in any or either such event this contract may be cancelled, provided, however, that the services of the artist shall be continued to be rendered until the completion of any photoplay in which he may then be engaged.

25. The producer agrees, at its own expense, to furnish and provide a "stand-in" to the artist during the time the artist is enacting any role hereunder.

In witness whereof, the parties hereto have executed this agreement the day and year first above written.

METRO-GOLDWYN-MAYER
CORPORATION

By (signed) E. J. MANNIX
Vice-President

MOTION PICTURE AND
THEATRICAL INDUSTRIES
LIMITED

By (signed) LOYD WRIGHT
Its Attorney-in-Fact. [138]

As an inducement to Metro-Goldwyn-Mayer Corporation (hereinafter referred to as "Metro") to execute the foregoing agreement between Metro and Motion Picture and Theatrical Industries, Limited (hereinafter referred to as "Industries") and as a material part of the consideration moving Metro to enter into said agreement, the undersigned hereby consents to the execution of said agreement by Industries and agrees to be bound thereby. Specifically, but without in any way limiting the generality of the foregoing, the undersigned expressly agrees that he will fully and faithfully keep and perform each and all of the services, obligations and agreements which, under the terms of said agreement, Industries agrees and guarantees will be kept and performed by the undersigned, as fully and to the same extent as though said agreement were made solely between Metro and the undersigned and as though the compensation payable by Metro under said agreement were to be paid directly to the undersigned, and the undersigned agrees that he will keep and perform any and all agreements, duties and obligations assumed by Industries under said agreement so far as the full performance thereof necessitates that the undersigned do or refrain from doing any act or thing. The undersigned hereby expressly authorizes Metro to pay all compensation accruing under the foregoing agreement, directly to Industries, and hereby releases and discharges Metro of and from any and all claims

and demands of every kind which the undersigned may have for the payment to the undersigned of any compensation accruing under said agreement or for any services rendered by the undersigned in connection with the photoplays referred to therein. The undersigned further hereby joins in and reaffirms as his own and for his own behalf each and all of the representations and warranties made by Industries under the terms of the foregoing agreement, and further hereby guarantees to Metro the full and faithful performance by Industries of each and all of its obligations and agreements under the terms of said agreement.

Dated: August 25th, 1934.

CHARLES LAUGHTON (signed)

[139]

EXHIBIT "L"

STIPULATION OF FACTS

This Agreement made and entered into this 21st day of December, 1934, by and between Twentieth Century Pictures, Inc., a New York corporation, hereinafter referred to as the "producer", and Motion Picture and Theatrical Industries, Limited, a company organized under the Companies Act of 1929 of England, hereinafter referred to as "Industries",

Witnesseth:

For and in consideration of the covenants, conditions, warranties, representations and agreements hereinafter contained and set forth, the parties hereto have agreed and do hereby agree as follows:

1. Industries hereby warrants and represents to the producer that Industries and Charles Laughton, hereinafter referred to as the "artist", have heretofore entered into an agreement with each other whereby Industries has become entitled to the services of the artist for a period extending for at least the length of time that the producer will be entitled to the services of the artist hereunder. The producer is desirous of obtaining the sole and exclusive services of the artist as hereinafter provided, and Industries desires and is willing to permit the producer so to employ the artist upon the terms hereinafter provided. Industries represents and warrants to the producer that the artist expects to benefit by the execution and carrying out of this agreement by the parties hereto and as an inducement to the producer to enter into this agreement Industries agrees and guarantees that the artist will fully and faithfully keep and perform each and all of the services, obligations and agreements which are to be kept and performed by the artist under the terms of this agreement, as fully as though this agreement were made solely between the producer and the artist and as though the compensation payable by the producer hereunder were to be paid directly to the artist. In-

dustries further agrees and guarantees that the artist will keep and perform any and all agreements, duties and obligations assumed by Industries hereunder so far as the full performance thereof necessitates that the artist do or refrain from doing any act or thing; and Industries agrees that it will keep and perform any agreements, duties or obligations assumed or which Industries agrees will be performed by the artist hereunder, so far as the full performance thereof necessitates that Industries do or refrain from doing any act or thing.

2. Pursuant to the provisions of the preceding paragraph the producer hereby employs and engages the artist to render his services in the portrayal of the role of "Javert" in a photoplay to be produced by the producer based upon "Les Miserables", and Industries hereby agrees to furnish the services of the artist to the producer hereunder and agrees that the artist will fully and completely keep and perform each and all of the agreements, duties and obligations for the performance [140] of which the services of the artist are to be furnished to the producer, as in this agreement provided. The term "photoplay", as used in this agreement, shall be deemed to include, but not be limited to, a motion picture production, produced and/or exhibited with sound and voice recording, reproducing, and/or transmitting devices, radio devices, and all other improvements and devices which are now or may hereafter be used in connection with the production

and/or exhibition and/or transmission of any present or future kind of motion picture productions.

3. Industries agrees that during the term hereof the artist will act, pose and appear solely and exclusively for and as requested by the producer hereunder; that he will promptly and faithfully comply with all reasonable instructions, requests, rules and regulations made by the producer in connection herewith; and that he will perform and render his services hereunder conscientiously and to the full limit of his ability and as instructed by the producer, at such times and places as the producer may designate.

4. Industries further agrees that the artist will not during said term render his services as an actor, or pose, act, appear, write, direct or render any other services in any way connected with motion pictures or photoplays, nor will he render any services of any kind or character whatsoever in any way connected with dramatic, theatrical, musical, vaudeville, radio, television or other productions, shows, performances, and/or entertainment, nor will he render any similar services to or for himself or for Industries or to or for any person, firm or corporation other than the producer, without the written consent of the producer first had and obtained. Industries further agrees that it will not consent to nor authorize nor permit any other person to advertise, announce or make known, directly or indirectly,

by paid advertisements, press notices or otherwise, that the artist has contracted to do or perform any act or services contrary to the terms of this agreement. The producer shall have the right to institute any legal proceedings, in the name of Industries and/or the artist and/or otherwise, to prevent such acts, or any of them.

5. Industries expressly gives and grants to the producer the sole and exclusive right to photograph and/or otherwise reproduce any and all of the artist's acts, poses, plays and appearances of any and all kinds in connection with the photoplay in which the artist is to appear hereunder, and to record his voice and all instrumental, musical and other sound effects produced by him, and to reproduce and/or transmit the same, either separately or in conjunction with such acts, poses, plays and appearances as the producer may desire; and further gives and grants to the producer solely and exclusively all rights of every kind and character whatsoever in and to the same, or any of them, perpetually, including as well the perpetual right to use the name of the artist and pictures or other reproductions of the artist's physical likeness, and recordations and reproductions of the artist's voice in connection with the advertising and exploitation thereof. The producer shall have the right to "double" or "dub" the acts, poses, plays and appearances of the artist and, as well, the voice of the artist and all instrumental, musical and/or other

sound effects to be produced by the artist to such [141] extent as may be desired by the producer, such doubling or dubbing as to the artist's voice, however, to be only in such foreign language and/or languages as may be designated or desired by the producer, except that the same may be in the English language in the following events:

(a) When necessary to expeditiously meet censorship requirements;

(b) In connection with hazardous acts which might result in physical injury to the Artist;

(c) In connection with "long shots" and "process shots";

(d) In the event of failure, refusal or neglect on the part of the artist to comply with the duties and obligations which Industries herein agrees will be performed by him, or when the artist is not available; and

(e) When the artist is unable to meet certain special requirements of a role which requires particular knowledge, talent or ability other than that possessed by the artist.

Industries also hereby grants to the producer the sole and exclusive right to make use of and distribute the name of the artist and pictures, photographs and other reproductions of the artist's physical likeness and recordations and reproductions of the artists's voice for advertising, commercial and/or

publicity purposes in connection with advertising, publicity and/or exploitation in which the title of the photoplay in which the artist renders services hereunder also appears.

6. The period of five (5) weeks hereinafter in paragraph 14 provided for will hereinafter for convenience be referred to as the "specified period". For the purposes of this agreement the photoplay "Les Miserables" shall be deemed to be "in production" from on or about January 14, 1935, until the production of said photoplay is completed; it being expressly understood that the prevention and/or postponement of the artist's services in said photoplay by reason of the happening of any of the contingencies specified in paragraphs 6, 7, or 8 hereof shall have the same effect as though such contingencies had occurred during the actual rendition of the artist's services during said photoplay. If while said photoplay is in production the artist shall be incapacitated by reason of mental or physical disability or otherwise from fully performing the terms or complying with each and all of the obligations which Industries agrees will be performed by him hereunder or if he suffer any facial or physical disfigurement materially detracting from his appearance on the screen or interfering with his ability to perform properly his services hereunder or if his present facial or physical appearance be materially altered or changed or if he suffer any impairment of his voice materially affecting his ability

to perform properly hereunder (such disability and/or incapacity and/or facial and/or physical disfigurement and/or change of appearance and/or impairment of voice being sometimes hereinafter [142] for convenience referred to as "illness"), then and in either or any of said events the obligations of the producer under this agreement shall be suspended during the period of such illness, and the period of such suspension shall not be included in computing the "specified period". During the period of such suspension no payments whatsoever shall be made to Industries by the producer. In the event of the continuance of such illness for a period or aggregate of periods in excess of six (6) days while said photoplay is in production, the producer shall have the right, at its option, to terminate the employment of the artist hereunder. In the event of such termination the producer may nevertheless complete such photoplay with another person in said role, and the completion of such photoplay with such other person shall not affect the producer's right of termination. It is agreed that if either Industries or the artist allege that the artist is incapacitated by illness or other disability or incapacity from the full and faithful performance of this agreement the producer shall have the right, at its option, to have medical examinations of the artist made by such physician or physicians as the producer may designate.

7. If, while said photoplay is "in production" (as said phrase "in production" is hereinabove defined,) the production activities of the producer with respect to said photoplay be materially hampered, interrupted or interfered with by reason of fire, casualty, strike, labor conditions, lockouts, unavoidable accident, war, act of God, or by the enactment of any municipal, state or federal ordinance or law, or by the issuance of any executive or judicial order, whether municipal, state or federal, or by any other legally constituted authority, or by any other cause of the same or any similar kind or character, or if for any reason whatsoever the majority of the motion picture theatres in the United States shall be closed for a week or any period in excess of a week, the obligations of each of the parties hereto under this agreement, at the option of the producer, shall be suspended likewise during the continuance of such event or events, and the period or periods of the continuance of such event or events shall not be included in computing the "specified period" applicable to said photoplay. In the event of the continuance of such event or events for a period or aggregate of periods in excess of four (4) weeks while said photoplay is in production, then and in either of said events either the artist and Industries or the producer, at their or its option, may elect to terminate the artist's employment hereunder; provided, however, that should the artist and Industries desire to elect to terminate the artist's employment hereunder they shall serve notice

of such desire upon the producer, and if the producer should not resume the payment of such installment or installments, if any, as would be payable to Industries hereunder in the absence of the happening of such event or events, commencing as of not later than two (2) days after the receipt of such notice from the artist and Industries, then and in that event the employment of the artist hereunder shall be terminated. If the producer should resume the payment of such installments, commencing as of not later than two (2) days after the receipt of such notice, then and in that event the employment of the artist hereunder shall not be terminated, but shall continue in full force and effect. In the event of the termination of the employment of the artist hereunder pursuant to the provisions either of this paragraph 7 or of paragraph 6 hereof, the producer shall be released from the obligation to pay any install- [143] ment or installments of compensation to Industries accruing hereunder after the date of such termination.

8. It is distinctly understood and agreed by and between the parties hereto that the services to be rendered by the artist under the terms hereof, and the rights and privileges granted to the producer by Industries under the terms hereof, are of a special, unique, unusual, extraordinary and intellectual character which gives them a peculiar value, the loss of which cannot be reasonably or adequately compensated in damages in an ac-

tion at law, and that a breach by the artist and/or by Industries of any of the provisions contained in this agreement will cause the producer irreparable injury and damage. Industries hereby expressly agrees that the producer shall be entitled to injunctive and other equitable relief to prevent a breach of this agreement by the artist and/or by Industries. This provision, however, shall not be construed as a waiver of any other rights that the producer may have in the premises, for damages or otherwise. Any failure on the part of Industries to perform and/or comply with its obligations hereunder or any failure, refusal or neglect on the part of the artist to perform any of the obligations and/or agreements which Industries agrees will be performed by the artist hereunder, will hereinafter for convenience be referred to as a "breach". No unintentional act on the part of the artist shall constitute a breach hereof unless the artist has theretofore committed the same unintentional act and has been advised that the same is grounds for a breach. In addition to all other rights and remedies which the producer may have, the producer, at its option, in the event of any breach, shall have the right to refuse to pay Industries any compensation during the continuance of such breach. The producer shall have the further right at any time during the continuance of such breach, to terminate this agreement. The producer shall have the further right, at its option, at any time during the continuance of such breach, to complete said photoplay with an-

other person in said role. If because of any breach the employment of the artist shall have been terminated hereunder, all installments of compensation paid by the producer to Industries hereunder prior to such termination shall be repaid by Industries to the producer on demand. Each and all of the several rights, remedies and options of the producer contained in this agreement shall be construed as cumulative and no one of them as exclusive of the others or of any right or priority allowed by law.

9. No waiver by the producer of any breach of any covenant or provision of this agreement shall be deemed to be a waiver of any preceding or succeeding breach of the same or any other covenant or provision.

10. All notices which the producer is required or may desire to give the artist or Industries or both may be given by addressing the same either to Industries or the artist, or both, in care of Frank Joyce-Myron Selznick, Ltd., 9460 Wilshire Blvd., Beverly Hills, California, or by addressing the same to such other address as may be designated from time to time in writing by Industries or the artist, and in either case by depositing the same so addressed, postage prepaid, in the United States mail at Los Angeles, California; or by delivering the same so addressed to any telegraph or cable company, or, [144] at its option, the producer may deliver such notice as it is required or may desire to give the artist or Industries to the artist personally or

to any officer of Industries either in writing, or unless otherwise specified herein, orally. If the producer elect to mail such notice or to send the same by telegraph or cable then the date of mailing thereof or the date of delivery to the telegraph or cable office, whichever method may be selected by the producer, shall be the date of the service of such notice. Notice given either to the artist or to Industries as aforesaid shall for all purposes be and be deemed to be notice to both the artist and to Industries.

11. The artist shall provide, at his own expense, such modern wardrobe and wearing apparel as may be necessary for the role to be portrayed by the artist hereunder; it being agreed, however, that should so-called character or period costume be required, the producer shall supply the same. The costumes, apparel and other articles furnished or paid for by the producer, pursuant to the terms of this agreement or otherwise, shall be and remain the property of the producer, and shall be returned promptly to it.

12. Should the artist be required to perform any services hereunder in any place other than the city of Los Angeles, California, or its environs, the producer shall pay for and/or furnish the necessary and reasonable food, lodging and transportation (including drawing room, when available) reasonably required for the artist and the artist's valet on account of the rendition of such services.

13. On condition that the artist and Industries shall fully and completely keep, perform and observe each and every term, covenant and condition of this agreement on their parts to be kept, performed or observed, the producer agrees that on the screen and in advertising and paid publicity issued by the producer in connection with said photoplay the name of the artist will appear ahead of and in type larger than the name of any other member of the cast except Fredric March, it being understood that the producer may place the name of Fredric March ahead of the name of the artist and in type as large as that used to display the name of the artist. Nothing herein contained shall be construed so as to prevent so-called "teaser" and/or special advertising, publicity and/or exploitation relating to the story upon which said photoplay is based, any of the members of the cast, the director, the author, or similar matters, without mentioning the name of the artist, or so as to prevent so-called "trailer" or other advertising on the screen without mentioning the name of the artist, and no casual or inadvertent failure to comply with the provisions of this paragraph shall constitute a breach of this agreement.

14. The producer agrees to pay Industries for all rights herein granted and/or agreed to be granted to the producer and for the full and complete performance by the artist of each and all of the obligations and agreements which Industries agrees

will be performed by the artist, the sum of sixty-five thousand dollars ($65,000.00). Said compensation shall entitle the producer to the exclusive services of the artist in connection with said photoplay for a period of five [145] (5) weeks from and after the date of commencement of the services of the artist therein, exclusive of the period or periods of the continuance of any of the contingencies referred to in paragraphs 6, 7 and 8 hereof. Said period of five (5) weeks is the period hereinabove referred to as the "specified period". Said compensation shall be payable in installments at a weekly rate equivalent to thirteen thousand dollars ($13,000.00) per week; the first installment to be paid on January 16, 1935. Should the portrayal of the artist's role in said photoplay be completed (including his services in retakes, added scenes, etc.) prior to the payment to Industries of the full compensation payable by the producer for the entire "specified period" the entire unpaid balance of such compensation shall be payable to Industries upon the completion of said role. Should the artist's services in the portrayal of his role in said photoplay be required by the producer after the "specified period" applicable to said photoplay, compensation for such time thereafter as the artist's services are required by and actually rendered for the producer shall be payable to Industries in respect of said photoplay at the rate of thirteen thousand dollars ($13,000.00) per week. If after the ordinary completion of the

artist's role in said photoplay the producer should desire the additional services of the artist in the making of retakes, added scenes and/or changes in connection with said photoplay, Industries agrees that the artist will render such services for the producer at such time or times as the producer may require as such services are required before the expiration of said "specified period"; and Industries further agrees that the artist will render such services at such time, or times, as the producer may require after the expiration of said "specified period", unless other engagements of the artist shall prevent, but Industries agrees that if otherwise engaged, Industries and the artist will co-operate with the producer to the fullest extent in the making of such retakes, added scenes and/or changes. Industries further agrees that after the ordinarily completion of the artist's role in said photoplay, the artist will remain in and about the vicinity of Los Angeles for a reasonable period for the purpose of rendering such services as may be required by the producer in the making of retakes, added scenes and/or changes. Compensation for such additional services rendered in respect of said photoplay after the expiration of the "specified period" shall be payable at the same weekly rate as herein specified, which compensation, however, shall be payable only for the days on which the artist's services are actually required by and rendered for the producer in the making of such retakes, added scenes and/or

changes, provided, however, that if the ordinary photographing of the artist's role is completed prior to the expiration of said specified period, the producer shall be entitled to the services of the artist for the balance of said specified period in retakes, added scenes, changes, etc., without additional charge. In computing all weekly compensation payable to Industries hereunder for services rendered by the artist for less than a full week the weekly rate shall be prorated and for this purpose the daily rate shall be one-sixth of the weekly rate. All compensation hereunder shall be payable to Industries, and the producer shall not be obligated to make any payments of any kind directly to the artist, and Industries hereby agrees to indemnify and hold the producer harmless of and from any and all claims of the artist for the payment directly to the artist of any compensation [146] herein provided for. Notwithstanding anything elsewhere herein contained, it is agreed that if the artist during the term hereof renders his services for others in connection with retakes, added scenes, changes, etc. in any photoplay in which he has heretofore appeared for others (which the artist can only do with the written consent of the producer first had and obtained) then and in that event the specified period hereinabove referred to shall be extended for the number of days during which the artist so renders his services for others.

15. The term hereof shall commence on or about January 14, 1935, and shall continue thereafter for such time as the producer may require the services of the artist in the portrayal of said role.

16. Industries hereby guarantees the full and faithful performance by the artist of each and all of the covenants and agreements which Industries under the terms hereof agrees will be performed by the artist. It is expressly understood that Industries shall not have the right to transfer or assign all or any of its rights or obligations hereunder, without the written consent of the producer first had and obtained.

17. Industries hereby represents and warrants to the producer that neither Industries nor the artist is under any contractual obligations of any kind to any person, firm or corporation which will or might prevent, conflict or interfere with the full and complete performance by Industries of each and all of its obligations and agreements hereunder and/or by the artist of any of the obligations and/or agreements which Industries agrees will be performed by the artist hereunder or which will or might prevent, conflict or interfere with the exercise and enjoyment by the producer to the fullest extent of each and all of the rights herein granted to the producer.

In Witness Whereof, the parties hereto have exe-

cuted this agreement the day and year first above written.

TWENTIETH CENTURY
PICTURES, INC.
By (signed) WM. GOETZ
MOTION PICTURE AND
THEATRICAL INDUSTRIES,
LIMITED
By (signed) LOYD WRIGHT

[147]

As an inducement to Twentieth Century Pictures, Inc. (hereinafter referred to as "Twentieth") to execute the foregoing agreement between Twentieth and Motion Picture and Theatrical Industries, Limited (hereinafter referred to as "Industries") and as a material part of the consideration moving Twentieth to enter into said agreement, the undersigned hereby consents to the execution of said agreement by Industries and agrees to be bound thereby. Specifically, but without in any way limiting the generality of the foregoing, the undersigned expressly agrees that he will fully and faithfully keep and perform each and all of the services, obligations and agreements which, under the terms of said agreement, Industries agrees and guarantees will be kept and performed by the undersigned, as fully and to the same extent as though said agreement were made solely between Twentieth and the undersigned and as though the compensation pay-

able by Twentieth under said agreement were to be paid directly to the undersigned, and the undersigned agrees that he will keep and perform any and all agreements, duties and obligations assumed by Industries under said agreement so far as the full performance thereof necessitates that the undersigned do or refrain from doing any act or thing. The undersigned hereby expressly authorizes Twentieth to pay all compensation accruing under the foregoing agreement, directly to Industries, and hereby releases and discharges Twentieth of and from any and all claims and demands of every kind which the undersigned may have for the payment to the undersigned of any compensation accruing under said agreement or for any services rendered by the undersigned in connection with the photoplay referred to therein. The undersigned further hereby joins in and reaffirms as his own each and all of the representations and warranties made by Industries under the terms of the foregoing agreement, and further hereby guarantees to Twentieth the full and faithful performance by Industries of each and all of its obligations and agreements under the terms of said agreement.

Dated: December 21st, 1934.

(signed) CHARLES LAUGHTON

[Endorsed]: U. S. B. T. A. Stipulation of Facts. Filed at hearing. June 27, 1938. [148]

No. 9413

United States

Circuit Court of Appeals

For the Ninth Circuit.

COMMISSIONER OF INTERNAL REVENUE,
Petitioner,

vs.

CHARLES LAUGHTON,
Respondent.

Transcript of the Record

In Two Volumes

VOLUME II

Pages 238 to 406

Upon Petition to Review a Decision of the United States Board of Tax Appeals.

PARKER PRINTING COMPANY, 545 SANSOME STREET, SAN FRANCISCO 60-2-8-40

U. S. BOARD OF TAX APPEALS
DIV. 12 DOCKET 88104
ADMITTED IN EVIDENCE
JUN 27 1938
PETITIONER'S EXHIBIT 1
~~RESPONDENT'S~~

U. S. BOARD OF TAX APPEALS
DIV. 12 DOCKET 88164
ADMITTED IN EVIDENCE
JUN 27 1938
PETITIONER'S
~~RESPONDENT'S~~ EXHIBIT 1

Form 1040 B
TREASURY DEPARTMENT
INTERNAL REVENUE SERVICE

(Auditor's Stamp)

23,160.03

FORM 1094 MUST BE FILED WITH THIS RETURN — Do Not Write in These Spaces

NONRESIDENT ALIEN INCOME TAX RETURN

For Calendar Year 1934

or Fiscal Year begun, 1934, and ended, 1935

File This Return Not Later Than the 15th Day of the Sixth Month Following the Close of the Taxable Year

PRINT NAME AND ADDRESS PLAINLY BELOW

CHARLES LAUGHTON
(Name) (Both husband and wife, if this is a joint return)

c/o Frank Joyce-Myron Selznick, Ltd. 9460 Wilshire
(Street and number)

Beverly Hills, California, U.S.A.
(City or town) (State) (County)

Occupation, Business, or Profession: Motion picture artiste.

RECEIVED
FEB 28 1935
COLLECTOR OF INT. REV.
LOS ANGELES, CALIF.

Cash Check M. O. Cert. of Ind. (First Payment) $ 2.6 —

1. If you filed a return for the prior year, to which Collector's office was it sent? 6th, California
2. Of what country are you a citizen or subject? Great Britain
3. State name of husband or wife if a separate return was made and the Collector's office to which it was sent: Elsa Lanchester
4. How many dependent persons (other than husband or wife) under 18 years of age or incapable of self-support received their chief support from you during your taxable year? None
5. If your status with respect to question 4 changed during the year, state date and nature of change: None
6. State the amount of income excluded (Instruction 30 (g) and (h)) from gross income $
7. Did any person or persons advise you in respect of any question or matter affecting any item or schedule of this return, or assist or advise you in the preparation of this return, or actually prepare this return for you? Yes (Answer "yes" or "no") If so, give the name and address of such person or persons and state the nature and extent of the assistance or advice received by you and the items or schedules in respect of which the assistance or advice was received; if this return was actually prepared by any person or persons other than yourself, state the source of the information reported in this return and the manner in which it was furnished to or obtained by such person or persons: Frank Joyce-Myron Selznick, Ltd. 9460 Wilshire Boulevard, Beverly Hills, California - as to preparation

INCOME

(Derived in full from sources within United States, and expenses, losses, and other deductions properly allocated thereto)

Item and Instruction No.		Gross amount	Expenses paid (Explain in Schedule A)	
1.	Salaries, Wages, Commissions, Fees, etc. (State name and address of employer): Motion Picture & Theatrical Industries, Ltd.	32,811.66	2,430.72	30,380.94
2.	Income (or Loss) from Business or Profession. (From Schedule A)			
3.	Interest on Notes, Mortgages, etc. (except interest on corporation bonds)			
4.	Interest on Corporation Bonds Upon Which an Income Tax of 2%, 4%, or 8% was Paid at Source			
5.	Income (or Loss) from Partnerships, Syndicates, Pools, etc. (State separately name and address and amount)			
6.	Income from Fiduciaries. (State separately name and address and amount)			
7.	Rents and Royalties. (From Schedule B)			
8.	Capital Gain (or Loss). (From Schedule C)			
9.	Interest on obligations of instrumentalities of the United States. (From Schedule H, Col. 3, Line (f))			
10.	Dividends on Stock of: (a) Domestic Corporations subject to taxation under Title I of 1934 Act			
	(b) Domestic Corporations not subject to taxation under Title I of 1934 Act			
11.	Other income. (State nature) (Use separate schedule, if necessary)			
12.	TOTAL INCOME IN ITEMS 1 TO 11			30,380.94

FEB 14 1936 LOS ANGELES DIVISION

DEDUCTIONS

13.	Interest Paid		
14.	Taxes Paid. (Explain in Schedule E)	8.72	
15.	Losses by Fire, Storm, etc., of Property in United States. (Explain in table at foot of page 2)		
16.	Losses in Transactions Entered into for Profit. (Explain in Schedule E)		
17.	Bad Debts. (Explain in Schedule E)		
18.	Contributions. (Explain in Schedule E)	23.10	
19.	Other Deductions Authorized by Law. (Explain on separate sheet)		
20.	Ratable Part of Deductions Not Definitely Allocated to Any Class of Gross Income. (Explain in Schedule F)		
21.	TOTAL OF ITEMS 13 TO 20		31.82
22.	NET INCOME DERIVED IN FULL FROM SOURCES WITHIN UNITED STATES (Item 12 minus Item 21)		30,349.12
23.	That Portion of Net Income from Sources Partly Within and Partly Without U. S. Attributable to Sources Within U. S. (Explain in Schedule G)		
24.	TOTAL NET INCOME FROM SOURCES WITHIN UNITED STATES (Item 22 plus Item 23)		30,349.12

COMPUTATION OF TAX (See Instruction 28)

25.	Net income (Item 24 above)		30,349.12	33. Normal Tax 4% of Item 32	1,117.96
26.	Less: Personal exemption	1000.00		34. Surtax on Item 28 (See Instruction 28)	2,876.35
27.	Credit for Dependents		1,000.00	35. Total tax (Item 33 plus Item 34)	3,994.31
28.	Balance (Surtax net income)		29,349.12	36. Less: Income tax paid at source	1,312.47
29.	Less: Interest on Obligations of Instrumentalities of U. S. (Item 9)			37. Balance of Tax (Item 35 minus Item 36)	2,681.84
30.	Dividends. (Item 10 (a))				
31.	Earned Income Credit. (See Instruction 27)	1400.00	1,400.00		
32.	Balance subject to normal tax		27,949.12		

NOTE. Only residents of Canada or Mexico should fill in Item 27. (See Instruction 26.)

AFFIDAVIT (See Instruction 32)

I/we swear (or affirm) that this return (including its accompanying schedules and statements, if any) has been examined by me/us, and to the best of my/our knowledge and belief is a true, correct, and complete return, made in good faith, for the taxable year stated, pursuant to the Revenue Act of 1934 and the Regulations issued thereunder.

Sworn to and subscribed before me this 19th day of February, 1935.

NOTARIAL SEAL

George A Lovett
NOTARY PUBLIC
In and for the County of Los Angeles, State of California
My Commission Expires November 3, 1935

Frank Joyce-Myron Selznick, Ltd.

AFFIDAVIT (See Instruction 32)

I/we swear (or affirm) that I/we prepared this return for the person or persons named herein and that the return (including its accompanying schedules and statements, if any) is a true, correct, and complete statement of all the information respecting the income tax liability of the person or persons for whom this return has been prepared of which I/we have any knowledge.

Sworn to and subscribed before me this 19th day of February, 1935

NOTARIAL SEAL

George A Lovett
NOTARY PUBLIC
In and for the County of Los Angeles, State of California
My Commission Expires November 3, 1935

Frank Joyce-Myron Selznick, Ltd.
(Corporate name of taxpayer)
By
Ass't Secty.

U. S. GOVERNMENT PRINTING OFFICE, 1935 2—10064

A-1

SCHEDULE A—INCOME (OR LOSS) FROM BUSINESS OR PROFESSION (See Instruction 2)

1. Total receipts from business or profession $

Cost of Goods Sold

2. Labor $
3. Material and supplies
4. Merchandise bought for sale
5. Other costs (itemize below or on separate sheet)
6. Plus inventory at beginning of year
7. Total (Lines 2 to 6) $
8. Less inventory at end of year
9. Net Cost of Goods Sold (Line 7 minus Line 8) $

Enter "C" or "C or M" on Lines 6 and 8 to indicate whether inventories are valued at cost, or cost or market, whichever is lower.

Other Business Deductions

10. Salaries not included as "Labor" in Line 2. (Do not deduct compensation for your services) $
11. Interest on business indebtedness to others
12. Taxes on business and business property
13. Losses (explain in table at foot of page)
14. Bad debts arising from sales or services reported as income and charged off
15. Depreciation, obsolescence, and depletion (explain in table provided at foot of page)
16. Rent, repairs, and other expenses (itemize below or on separate sheet)
17. Total (Lines 10 to 16) $
18. Total Deductions (Line 9 plus Line 17)
19. Net Profit (or Loss) (Line 1 minus Line 18) (Enter as Item 2) $

Explanation of deductions claimed on Lines 5 and 16

SCHEDULE B—INCOME FROM RENTS AND ROYALTIES (See Instruction 7)

1. Kind of Property	2. Amount Received	3. Cost or Value as of March 1, 1913, Wherever Greater	4. Depreciation (Explain in table at foot of page)	5. Repairs	6. Other Expenses (Itemize below)	7. Net Profit (Enter as Item 7)
	$	$	$	$	$	$

Explanation of deductions claimed in Column 6

SCHEDULE C—CAPITAL GAINS AND LOSSES (See Instruction 8)

1. Description of Property	2. Date Acquired	3. Date Sold or Exchanged	4. Amount Realized	5. Cost or March 1, 1913, Value if Acquired Before That Date. (Indicate basis) **	6. Cost of Improvements Subsequent to Acquisition or March 1, 1913	7. Depreciation Allowed (or Allowable) Since Acquisition or March 1, 1913 (Furnish details)	8. Gain or Loss	9. Percentage of Gain or Loss to be Taken into Account	10. Gain or Loss to be Taken into Account: a. Gains	b. Losses
	Mo. Day Year	*Mo. Day Year*								
• Held 1 year or less:			$	$	$	$	$	100	$	$
• Held over 1 year but not over 2 years:								80		
• Held over 2 years but not over 5 years:								60		
• Held over 5 years but not over 10 years:								40		
• Held over 10 years:								30		

Total Gains and Losses (Enter net gain or loss as Item 8) (Capital losses are allowable only to the extent of $2,000 plus capital gains) $ $

* In reporting sales or exchanges of capital assets attach separate schedule, if necessary, for transactions coming within each of the 5 periods, and transfer gains and losses for each period to Column 10 above.
** Cost of property must be entered in Column 5 if a loss is claimed in Column 8.

State (1) how property was acquired ; (2) Personal or business relationship, if any, of purchaser
Every sale or exchange of stock should be reported in detail, including name and address of corporation, class of stock, number of shares, capital changes affecting basis, stock dividends, other nontaxable distributions, stock rights, etc.).

SCHEDULE D—INCOME FROM DIVIDENDS (See Instruction 10)

Itemize all dividends received during the year, stating amounts and names and addresses of corporations declaring the dividends:

.....

SCHEDULE E—EXPLANATION OF DEDUCTIONS CLAIMED IN ITEMS 1, 14, 16, 17, AND 18

.....

SCHEDULE F—EXPLANATION OF RATABLE PART OF DEDUCTIONS NOT ALLOCATED TO ANY CLASS OF GROSS INCOME (See Instruction 2)

1. Total gross income from all sources $
2. Total gross income from sources within U. S. $
3. Ratio of gross income from sources within U. S. to gross income from all sources (Line 2 divided by Line 1)
4. Total deductions $
5. Deductions allocated to income from sources within U. S. $
6. Deductions allocated to income from sources without U. S. $
7. Deductions not allocated to any class of income $
8. Amount of such deductions which may be allocated to income from sources within U. S. (Line 7 multiplied by Line 3) $

SCHEDULE G—EXPLANATION OF ITEM 23 (See Instruction 23)

Explain fully how amount entered in Item 23 was determined:

.....

SCHEDULE H—INTEREST ON LIBERTY BONDS AND OTHER OBLIGATIONS OR SECURITIES (See Instruction 9)

1. Obligations or Securities	2. Amount Owned	3. Interest Received or Accrued
(a) Obligations of a State, territory, or political subdivision thereof, or the District of Columbia, or United States possessions	$	$
(b) Obligations issued under Federal Farm Loan Act, or under such Act as amended		
(c) Liberty 3½% Bonds and other obligations of United States issued on or before September 1, 1917		
(d) Treasury Notes, Treasury Bills, and Treasury Certificates of Indebtedness		
(e) Liberty 4% and 4¼% Bonds and Treasury Bonds		
(f) Obligations of instrumentalities of the United States (other than obligations to be reported in (a) above) enter the amount in Column 3 as Item 9		

EXPLANATION OF DEDUCTION FOR DEPRECIATION CLAIMED IN SCHEDULES A AND B

1. Kind of Property (If buildings, state material of which constructed)	2. Date Acquired	3. Cost or March 1, 1913, Value if Acquired Prior to That Date (Indicate basis)	4. Assets Fully Depreciated in Use at End of Year	5. Depreciation Allowed (or Allowable) in Prior Years	6. Remaining Cost or Other Basis for Depreciation	7. Life in Years (Estimated)	8. Estimated Remaining Life at Beginning of Year	9. Depreciation Allowable for Year
		$	$	$	$			$

EXPLANATION OF DEDUCTION FOR LOSSES BY FIRE, STORM, ETC., CLAIMED IN SCHEDULE A AND IN ITEM 15

1. Kind of Property	2. Date Acquired	3. Cost	4. Amount of Improvements	5. Depreciation Allowed or Allowable	6. Insurance and Salvage Value	7. Deductible Loss
		$	$	$	$	$

a-2

CHARLES LAUGHTON

NON RESIDENT ALIEN INCOME TAX RETURN

For the Calendar Year 1934

and

SUPPORTING SCHEDULES

GEORGE A. LOVETT
CERTIFIED PUBLIC ACCOUNTANT
LOS ANGELES

u-3

CHARLES LAUGHTON

NON RESIDENT ALIEN INCOME TAX RETURN FOR THE

CALENDAR YEAR 1934

EXPENSES PAID

ITEM NO. 1 SCHEDULE E.

Automobile Expenses:		
Depreciation of automobile - purchased June 15, 1934, at a cost of $965.60 - 6½ months @ 25% per annum - $20.12 per month	$ 130.78	
Chauffeur - Raymond Weber @ $25.00 per week	735.00	
Maintenance - gas, oil, repairs and garage	399.11	
Insurance	89.23	
	$1,354.12	
of which 50% allocated to business		$ 677.06
Business Manager:		
Herman Rogers @ $150.00 per month		900.00
Theatre tickets (business)		10.20
Wardrobe:		
Amount expended - $373.41, of which 50% allocated to business		186.71
Publicity:		
Advertising in Hollywood Reporter, fan photos, etc.	195.65	
Books and periodicals (business)	130.80	326.45
Telephone and telegraph		59.05
Music		71.25
Gratuities to stage hands upon completion of pictures		200.00
		$2,430.72

a-7

STATE OF CALIFORNIA)
) SS.
COUNTY OF LOS ANGELES)

LOYD WRIGHT, being duly sworn, deposes and says that: Motion Picture and Theatrical Industries, Ltd. is a British corporation organized and existing under and by virtue of the laws of Great Britian; that said corporation, in the year 1934, paid Charles Laughton, pursuant to its contract with the said Charles Laughton, for services rendered by him in the United States, the sum of $32,811.66 less the sum of $1,312.47, which amount represents four per cent (4%) of said $32,811.66; that said sum of $1,312.47 was withheld by said corporation from the salaries paid the said Charles Laughton pursuant to the Revenue Act of 1934; that the said Charles Laughton is a subject of Great Britian;

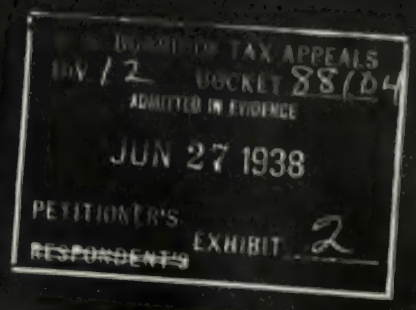
That your affiant is the duly authorized agent and representative of Motion Picture and Theatrical Industries, Ltd. in the United States of America;

Further your affiant saith not.

Loyd Wright.
Loyd Wright.

Subscribed and sworn to before me this ____ day of February, 1935.

Notary Public in and for said County and State.


BOARD OF TAX APPEALS
DOCKET 88104
ADMITTED IN EVIDENCE
JUN 27 1938
PETITIONER'S
EXHIBIT 2

Amended 1040C - Aug 23 4 - 3 Print

27.

Form 1040-B
TREASURY DEPARTMENT
Internal Revenue Service

NONRESIDENT ALIEN INCOME TAX RETURN

For Calendar Year 1935

or Fiscal Year begun, 1935, and ended, 1936

File This Return Not Later Than the 15th Day of the Sixth Month Following the Close of the Taxable Year

(Auditor's Stamp)

81,270.84

Do Not Write in These Spaces

File No. 1672

Code 692952

Serial Number [redacted]

District

(Cashier's Stamp)

Cash Check M. O. Cert. of Ind.
(First Payment)

$

PRINT NAME AND ADDRESS PLAINLY BELOW

CHARLES LAUGHTON
(Name) (Both husband and wife, if this is a joint return)

34 Gordon Square
(Street and number)

London England
(Post office) (State) (Country)

Occupation, Business, or Profession Motion Picture Artist

10/2/36
9. H. L.
Aff 28/36
ans C-4

1. If you filed a return for the prior year, to which Collector's office was it sent? 3rd New York
2. Of what country are you a citizen or subject? England
3. If your status with respect to question 4 changed during the year, state date and nature of change
3. State name of husband or wife if a separate return was made and the Collector's office to which it was sent Elsa Lanchester
4. How many dependent persons (other than husband or wife) under 18 years of age or incapable of self-support received their chief support from you during your taxable year? None
6. State the amount of income excluded (Instruction 30 (g) and (h)) from gross income None $
7. Did any person or persons advise you in respect of any question or matter affecting any item or schedule of this return, or assist or advise you in the preparation of this return, or actually prepare this return for you? Yes (Answer "yes" or "no") If so, give the name and address of such person or persons and state the nature and extent of the assistance or advice received by you and the items or schedules in respect of which the assistance or advice was received; if this return was actually prepared by any person or persons other than yourself, state the source of the information reported in this return and the manner in which it was furnished to or obtained by such person or persons Affidavit attached

INCOME

Item and Instruction No. (Derived in full from sources within United States, and expenses, losses, and other deductions properly allocated thereto)

	Gross amount	Expenses paid (Explain in Schedule E)						
1. Salaries, Wages, Commissions, Fees, etc. (State name and address of employer) Motion Picture & Theatrical Industries, Ltd.	$22,419.09	$ 2,415.69	$		20	003	40	
2. Net Profit (or Loss) from Business or Profession. (From Schedule A)								
3. Interest on Notes, Mortgages, etc. (except interest on corporation bonds)								
4. Interest on Corporation Bonds Upon Which an Income Tax of 2% or 4% was Paid at Source								
5. Income (or Loss) from Partnerships, Syndicates, Pools, etc. (State separately name and address and amount)								
6. Income from Fiduciaries. (State separately name and address and amount)								
7. Rents and Royalties. (From Schedule B)								
8. Capital Gain (or Loss). (From Schedule C)								
9. Interest on obligations of instrumentalities of the United States. (From Schedule H, Col. 3, Line (f))								
10. Dividends on Stock of: (a) Domestic Corporations subject to taxation under Title I of 1934 Act								
(b) Domestic Corporations not subject to taxation under Title I of 1934 Act								
11. Other income. (State nature) (Use separate schedule, if necessary)								
12. TOTAL INCOME IN ITEMS 1 TO 11								

DEDUCTIONS

13. Interest Paid. (Explain in Schedule E)	$					
14. Taxes Paid. (Explain in Schedule E)				6	00	
15. Losses by Fire, Storm, etc., of Property in United States. (Explain in table at foot of page 2)						
16. Losses in Transactions Entered into for Profit. (Explain in Schedule E)						
17. Bad Debts (including bonds determined to be worthless during taxable year). (Explain in Schedule E)						
18. Contributions. (Explain in Schedule E) Los Angeles Community Chest				200	00	
19. Other Deductions Authorized by Law (including stock determined to be worthless during taxable year). (Explain on separate sheet)						
20. Ratable Part of Deductions Not Definitely Allocated to Any Class of Gross Income. (Explain in Schedule F)						
21. TOTAL OF ITEMS 13 TO 20					206	00
22. NET INCOME DERIVED IN FULL FROM SOURCES WITHIN UNITED STATES (Item 12 minus Item 21)			$	19	797	40
23. That portion of Net Income from Sources Partly Within and Partly Without U. S. Attributable to Sources Within U. S. (Explain in Sched. G)						
24. TOTAL NET INCOME FROM SOURCES WITHIN UNITED STATES (Item 22 plus Item 23)			$	19	797	40

COMPUTATION OF TAX (See Instruction 28)

25. Net income (Item 24 above)			$	19	797	40	33. Normal Tax (4% of Item 32)	$	712	56
26. Less: Personal Exemption	$ 583	34					34. Surtax on Item 28. (See Instruction 28)	1	157	83
27. Credit for Dependents (Explain in Schedule E)					583	34	35. Total tax (Item 33 plus Item 34)	$ 1	870	39
28. Balance (Surtax net income)			$	19	214	06	36. Less: Income tax paid at source (Withheld by Motion Picture Employers, Inc.)		96	78
29. Less: Interest on Obligations of Instrumentalities of U. S. (Item 9)	$						37. Balance of Tax. (Item 35 minus Item 36)		773	61
30. Dividends. (Item 10 (a))										
31. Earned Income Credit. (See Instruction 27)	1,400	00		1	400	00				
32. Balance subject to normal tax			$	17	814	06				

NOTE.—Only residents of Canada or Mexico should fill in Item 27. (See Instruction 26.)

* Balance of tax paid on August 3, 1935 to the Collector of Internal Revenue- 6th California

AFFIDAVIT (See Instruction 32)

I/we swear (or affirm) that this return (including its accompanying schedules and statements, if any) has been examined by me us, and to the best of my/our knowledge and belief is a true, correct, and complete return, made in good faith, for the taxable year stated, pursuant to the Revenue Act of 1934 and the Regulations issued thereunder.

Sworn to and subscribed by Loyd Wright before Loyd Wright Att'y in fact.
(Signature of person making oath)

me this 27th day of February 1936

NOTARIAL SEAL

Anita Garrett Notary Public
(Signature and title of officer administering oath)

A RETURN MADE BY AN AGENT MUST BE ACCOMPANIED BY POWER OF ATTORNEY (See Instr. 32)

AFFIDAVIT (See Instruction 32)

I/we swear (or affirm) that I/we prepared this return for the person or persons named herein and that the return (including its accompanying schedules and statements, if any) is a true, correct, and complete statement of all the information respecting the income tax liability of the person or persons for whom this return has been prepared of which I/we have any knowledge.

Sworn to and subscribed before me this day of, 193 .

NOTARIAL SEAL

(Signature of officer administering oath)

Affidavit attached
(Signature of person preparing the return)

(Name of firm or employer, if any)

B-1

U. S. GOVERNMENT PRINTING OFFICE 2—17987

SCHEDULE A—PROFIT (OR LOSS) FROM BUSINESS OR PROFESSION (See Instruction 2)

1. Total receipts from business or profession $

Cost of Goods Sold

2. Labor $
3. Material and supplies
4. Merchandise bought for sale
5. Other costs (itemize below or on separate sheet)
6. Plus inventory at beginning of year
7. Total (Lines 2 to 6) $
8. Less inventory at end of year
9. Net Cost of Goods Sold (Line 7 minus Line 8) $

Enter "C" or "C or M" on Lines 6 and 8 to indicate whether inventories are valued at cost, or cost or market, whichever is lower.

Other Business Deductions

10. Salaries not included as "Labor" in Line 2 (Do not deduct compensation for your services) $
11. Interest on business indebtedness to others
12. Taxes on business and business property
13. Losses (explain in table at foot of page)
14. Bad debts arising from sales or services reported as income and charged off
15. Depreciation, obsolescence, and depletion (explain in table provided at foot of page)
16. Rent, repairs, and other expenses (itemize below or on separate sheet)
17. Total (Lines 10 to 16) $
18. Total Deductions (Line 9 plus Line 17)
19. Net Profit (or Loss) (Line 1 minus Line 18) (Enter as Item 2) $

Explanation of deductions claimed on Lines 5 and 16

SCHEDULE B—INCOME FROM RENTS AND ROYALTIES (See Instruction 7)

1. Kind of Property	2. Amount Received	3. Cost or Value as of March 1, 1913, Whichever Greater	4. Depreciation (Explain in table at foot of page)	5. Repairs	6. Other Expenses (Itemize below)	7. Net Profit (Enter as Item 7)
	$	$	$	$	$	$

Explanation of deductions claimed in Column 6

SCHEDULE C—CAPITAL GAINS AND LOSSES (FROM SALES OR EXCHANGES ONLY) (See Instruction 8)

1. Description of Property and Period Held	2. Date Acquired	3. Date Sold or Exchanged	4. Gross Sales Price (Contract price)	5. Cost or March 1, 1913, Value if Acquired Before That Date. (Indicate basis) **	6. Cost of Improvements Subsequent to Acquisition or March 1, 1913	7. Depreciation Allowed (or Allowable) Since Acquisition or March 1, 1913 (Furnish details)	8. Gain or Loss	9. Percentage of Gain or Loss to be Taken into Account	10. Gain or Loss to be Taken into Account a. Gains	10. Gain or Loss to be Taken into Account b. Losses
*(a) One year or less:	*Mo. Day Year*	*Mo. Day Year*								
*(b) Over 1 year but not over 2 years:			$	$	$	$	$	100	$	$
*(c) Over 2 years but not over 5 years:								60		
*(d) Over 5 years but not over 10 years:								60		
*(e) Over 10 years:								60		
								30		
(f) Total Gains and Losses (Enter net amount as Item 8) (Capital losses are allowable only to the extent of $2,000 plus capital gains)									$	$

* In reporting sales or exchanges of capital assets attach separate schedule, if necessary, for transactions coming within each of the 5 periods, and transfer gains and losses for each period to Columns 10 above

** Cost of property must be entered in Column 5 if a loss is claimed in Column 8.

State (1) how property was acquired; (2) Personal or business relationship, if any, of purchaser

Every sale or exchange of stock should be reported in detail, including name and address of corporation, class of stock, number of shares, capital changes affecting basis (stock dividends, other nontaxible dividends, stock rights, etc.).

SCHEDULE D—INCOME FROM DIVIDENDS (See Instruction 10)

Itemize all dividends received during the year, stating amounts and names and addresses of corporations declaring the dividends:

SCHEDULE E—EXPLANATION OF DEDUCTIONS CLAIMED IN ITEMS 1, 13, 14, 16, 17, AND 18 AND CREDIT CLAIMED IN ITEM 27

SCHEDULE F—EXPLANATION OF RATABLE PART OF DEDUCTIONS NOT ALLOCATED TO ANY CLASS OF GROSS INCOME (See Instruction 20)

1. Total gross income from all sources $
2. Total gross income from sources within U. S. $
3. Ratio of gross income from sources within U. S. to gross income from all sources (Line 2 divided by Line 1)
4. Total deductions $
5. Deductions allocated to income from sources within U. S. $
6. Deductions allocated to income from sources without U. S. $
7. Deductions not allocated to any class of income $
8. Amount of such deductions which may be allocated to income from sources within U. S. (Line 7 multiplied by Line 3) $

SCHEDULE G—EXPLANATION OF ITEM 23 (See Instruction 23)

Explain fully how amount entered in Item 23 was determined:

SCHEDULE H—INTEREST ON LIBERTY BONDS AND OTHER OBLIGATIONS OR SECURITIES (See Instruction 9)

1. Obligations or Securities	2. Amount Owned at End of Year	3. Interest Received or Accrued During the Year
(a) Obligations of a State, territory, or political subdivision thereof, or the District of Columbia, or United States possessions	$	$
(b) Obligations issued under Federal Farm Loan Act, or under such Act as amended		
(c) Liberty 3½% Bonds and other obligations of United States issued on or before September 1, 1917		
(d) Treasury Notes, Treasury Bills, and Treasury Certificates of Indebtedness		
(e) Liberty 4% and 4¼% Bonds, U. S. Savings Bonds, and Treasury Bonds		
(f) Obligations of instrumentalities of the United States (other than obligations to be reported in (b) above) (enter the amount in Column 3 as Item 9)		

EXPLANATION OF DEDUCTION FOR DEPRECIATION CLAIMED IN SCHEDULES A AND B

1. Kind of Property (If buildings, state material of which constructed)	2. Date Acquired	3. Cost or March 1, 1913, Value if Acquired Prior to That Date (Indicate basis)	4. Assets Fully Depreciated in Use at End of Year	5. Depreciation Allowed (or Allowable, in Prior Years	6. Remaining Cost or Other Basis to be Recovered	7. Life Period Estimated in Accordance with Regulations	8. Depreciation Allowable This Year
		$	$	$	$		$

EXPLANATION OF DEDUCTION FOR LOSSES BY FIRE, STORM, ETC., CLAIMED IN SCHEDULE A AND IN ITEM 15

1. Kind of Property	2. Date Acquired	3. Cost	4. Subsequent Improvements	5. Depreciation Allowable Since Acquisition	6. Insurance and Salvage Value	7. Deductible Loss
		$	$	$	$	$

B-2

STATE OF CALIFORNIA)
) SS
COUNTY OF LOS ANGELES)

I, Alwin Johnson, acting on behalf of Myron Selznick & Company, Inc., 9460 Wilshire Boulevard, Beverly Hills, California, as advisor for Charles Laughton, affirm that, pursuant to instructions received from him, I prepared the attached return covering the calendar year 1935 showing net income of $19,797.40 and tax liability of $1,870.39 on the basis of information furnished by William Laird, 339 North Beverly Drive, Beverly Hills, California, business manager for Mr. Laughton, without independent verification by me; that the information set out in the return and accompanying schedule correctly and fairly reflects the information furnished to or discovered by me during the course of the preparation of the return, and that the said information is true to the best of my information and belief.

Alwin Johnson

Subscribed and sworn to
before me this 20
day of January, 1936

[illegible]

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CHARLES LAUGHTON

1935 NONRESIDENT ALIEN INCOME TAX RETURN

BUSINESS EXPENSES

Business Manager			$350.00 -
Advertising and publicity			481.90 -
Telephone and telegraph			294.74 -
Manuscript expense			37.27 -
Wardrobe	½ of	$799.17	399.59 -
Automobile expense	½ of	$1,557.98	778.99 -
Office expense			73.20 -
			$2,415.69

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POWER OF ATTORNEY.

BE IT KNOWN:

THAT I, CHARLES LAUGHTON, temporarily residing in the City of Los Angeles, County of Los Angeles, State of California, have made, constituted and appointed, and by these presents do make, constitute and appoint LOYE WRIGHT, of Los Angeles, California, my true and lawful attorney for me and in my name and on my behalf, to act, demand, recover and receive all sums of money, debts, dues, accounts, legacies, bequests, interest, dividends, annuities and demands whatsoever, as are now or shall hereafter become due, owing, payable or belonging to me, and have, use and take all lawful ways and means in my name or otherwise for the recovery thereof, by attachments, arrests, distress or otherwise, and to compromise and agree for the same, and acquittances and other sufficient discharges for the same, for me and in my name, to make seal and deliver: to bargain, contract, agree for, purchase, receive and take lands, tenements, hereditaments and accept the seizing and possession of all lands and all deeds and other assurances in the law therefor, and to let, lease, demise, bargain, sell, remise, release, convey, mortgage and hypothecate lands, tenements and hereditaments, upon such terms and conditions, and under such covenants as he shall see fit.

Also, to bargain and agree for, buy, sell, mortgage, hypothecate and in any and every way and manner deal in and with goods, wares and merchandise, choses-in-action and other property in possession or in action, and to make, do and transact all and every kind of business of what nature or kind soever, and also for me and in my name, and as my act and deed, to sign, seal, execute, deliver and acknowledge such deeds, leases and assignments of leases, covenants, indentures, agreements, mortgages, hypothecations, bills of lading, bills, bonds, notes, receipts, evidences of debts, releases and satisfaction of mortgages, judgments and other debts,

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and such other instruments in writing of whatsoever kind and nature, as may be necessary or proper in the premises, specifically granting, authorizing and empowering and directing the said Loyd Wright to sign any and all checks in my name, for me and in my behalf, and any bank or trust company is hereby authorized, directed and instructed to cash said checks in the same manner as if I myself had executed the same. I hereby confirm, ratify and approve anything that the said Loyd Wright may do in said respect, and I warrant that the signature of said Loyd Wright opposite my signature to this document, is his true and lawful signature, having been signed in my presence.

Giving and granting unto my said attorney, full power and authority to do and perform all and every act and thing whatsoever requisite and necessary to be done in and about the premises, as fully to all intents and purposes as I might or could do if personally present, with full power of substitution and revocation, hereby ratifying and confirming all that my said attorney, or his substitute or substitutes, shall lawfully do or cause to be done by virtue of these presents.

This power of attorney shall endure for six months after date hereof.

WITNESS, my hand and seal at Los Angeles, California, this 19th day of February, 1935.

Loyd Wright
Loyd Wright

Charles Laughton
Charles Laughton

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) ss:

On this 19th day of February, 1935, before me, ANITA GARRETT, a Notary Public in and for said County and State, personally appeared CHARLES LAUGHTON, known to me to be the person whose name is subscribed to the within instrument, and acknowledged to me that he executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

Anita Garrett
Notary Public in and for the County of Los Angeles, State of California.

POWER OF ATTORNEY

BE IT KNOWN:

THAT I, CHARLES LAUGHTON, temporarily residing in the City of Los Angeles, County of Los Angeles, State of California, have made, constituted and appointed, and by these presents do make, constitute and appoint LOYD WRIGHT, of Los Angeles, California, my true and lawful attorney for me and in my name and on my behalf, to act, demand, recover and receive all sums of money, debts, dues, accounts, legacies, bequests, interest, dividends, annuities and demands whatsoever, as are now or shall hereafter become due, owing, payable or belonging to me, and have, use and take all lawful ways and means in my name or otherwise for the recovery thereof, by attachments, arrests, distress or otherwise, and to compromise and agree for the same, and acquittances and other sufficient discharges for the same, for me and in my name, to make, seal and deliver; to bargain, contract, agree for, purchase, receive and take lands, tenements, hereditaments and accept the seizing and possession of all lands and all deeds and other assurances in the law therefor, and to let, lease, demise, bargain, sell, remise, release, convey, mortgage and hypothecate lands, tenements and hereditaments, upon such terms and conditions, and under such covenants as he shall see fit.

Also, to bargain and agree for, buy, sell, mortgage, hypothecate and in any and every way and manner deal in and with goods, wares and merchandise, choses-in-action and other property in possession or in action, and to make, do and transact all and every kind of business of what nature or kind soever, and also for me and in my name, and as my act and deed, to sign, seal, execute, deliver and acknowledge such deeds, leases and assignments of leases, covenants, indentures, agreements, mortgages, hypothecations, bills of lading, bills, bonds, notes, receipts, evidences of debts, releases and satisfaction of mortgages, judgments and other debts,

and such other instruments in writing of whatsoever kind and nature, as may be necessary or proper in the premises, specifically granting, authorizing and empowering and directing the said Loyd Wright to sign any and all checks in my name, for me and in my behalf, and any bank or trust company is hereby authorized, directed and instructed to cash said checks in the same manner as if I myself had executed the same. I hereby confirm, ratify and approve anything that the said Loyd Wright may do in said respect, and I warrant that the signature of said Loyd Wright opposite my signature to this document, is his true and lawful signature, having been signed in my presence.

Giving and granting unto my said attorney, full power and authority to do and perform all and every act and thing whatsoever requisite and necessary to be done in and about the premises, as fully to all intents and purposes as I might or could do if personally present, with full power of substitution and revocation, hereby ratifying and confirming all that my said attorney, or his substitute or substitutes, shall lawfully do or cause to be done by virtue of these presents.

This power of attorney shall endure for six months after date hereof.

WITNESS, my hand and seal at Los Angeles, California, this 19th day of February, 1935.

Loyd Wright
Loyd Wright

Charles Laughton
Charles Laughton.

STATE OF CALIFORNIA) ss.
COUNTY OF LOS ANGELES)

On this 19th day of February, 1935, before me, ANITA GARRETT, a Notary Public in and for said County and State, personally appeared CHARLES LAUGHTON, known to me to be the person whose name is subscribed to the within instrument, and acknowledged to me that he executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

Anita Garrett
Notary Public in and for the County of Los Angeles, State of Calif.

LAW OFFICES OF
LOYD WRIGHT
SUITE 1125-1130 BOARD OF TRADE BUILDING
111 WEST SEVENTH STREET
LOS ANGELES, CAL.
TRINITY 3361

LOYD WRIGHT
CHARLES E. MILLIKAN
RICHARD M. GOLDWATER
HERSCHEL B. GREEN
S. EARL WRIGHT

February 27th, 1936.

Collector of Internal Revenue,
939 South Broadway,
Los Angeles, California.

Dear Sir:-

Enclosed you will find Form 1040 B, Non-Resident Alien Income Tax Return for the year 1935, for Charles Laughton, executed by Loyd Wright, attorney-in-fact, showing a tax on 1935 income in amount of $973.61, which was paid to the Collector of Internal Revenue on August 3, 1935. To the form I am attaching a copy of the Power of Attorney running from Mr. Laughton to Loyd Wright.

Respectfully yours,
Loyd Wright

LW/AG
Encs-

THIS FORM TO BE USED ONLY FOR TAXABLE YEARS BEGINNING AFTER DECEMBER 31, 1933

Form 1040C—Revised May 1934
TREASURY DEPARTMENT
INTERNAL REVENUE SERVICE

INDIVIDUAL INCOME TAX RETURN

TO BE USED BY DEPARTING ALIENS

For Taxable Year 1935

Taxable period begun Jan 1, 1935, and ended July 31, 1935

Do not write in this space

Serial Number August 234

Amount Paid $ 97361

(Cashier's Stamp)
RECEIVED WITH REMITTANCE
COLLECTOR OF INTERNAL REVENUE
6th District of California
AUG 3 1935
LOS ANGELES OFFICE
Check Cash M.O.
Examined O.G.S.

PRINT NAME AND ADDRESS PLAINLY BELOW

Port of Sailing New York
Name of Steamer Majestic
Date of Sailing Aug 7-35
Country of Nationality England
Total Number of Persons Five

Name Charles Laughton
Street 9460 Wilshire Blvd
City Beverly Hills State Calif
Occupation Actor
Rate of Pay Per Day, $

By J. M. K.

1. Of what country are you a citizen or subject? Gr Britain 2. Date on which you arrived in the U. S. April 5 - 1 2 5
3. Are you a resident or nonresident of the U. S.? Res 4. Were you married and living with husband or wife during your taxable year? Yes
5. If not, were you during your taxable year supporting in your household one or more persons closely related to you? — 6. How many dependent persons (other than husband or wife) under 18 years of age or incapable of self-support received their chief support from you during the year? —
7. If your status in respect to question 4, 5, or 6 changed during the year, state date and nature of change
8. If you filed an income tax return in the United States, give the following information for the past 3 years:

Year	Net Income	Tax paid	District in which return was filed
1932	$	$	
1933			
1934			

POSTING AUG 5 1935

INCOME			DEDUCTIONS		
1. Salaries, wages, etc. (State name of employer)			6. Interest paid on borrowed money		
(a) Motion Picture T	$ 22419	09	7. Taxes paid (except Federal income tax, estate, inheritance, legacy, succession, and gift taxes)		
(b) Theatrical Industries Ltd			8. Other deductions. (Explain below)		
2. Interest received on bank deposits, etc.			(a) Mineral Expenses	2415	69
3. Dividends from domestic corporations subject to income tax under 1934 Act			(b) Contributions	206	00
4. Other income (including dividends other than those reported in Item 3):			(c)		
			9. Total Deductions in Items 6 to 8	$ 2621	69
5. Total Income in Items 1 to 4	$ 22419	09	10. Net Income (Item 5 minus Item 9)	$ 19797	40

COMPUTATION OF TAX

11. Net income (Item 10)	$ 19797	40			
12. Less: Dividends (Item 3)	$		17. Normal tax on Item 16	$ 712	56
13. Earned income credit (see Instr. 6)	1400	00			
14. Personal exemption	582	24	18. Less: Income tax paid at source [illegible]	1157	73
15. Credit for dependents					
16. Balance (Item 11 minus Items 12 to 15)	$ 17814	16	19. Balance of tax (Item 17 minus Item 18)	$ 1870	39

AFFIDAVIT Withheld by M.P.T. Co

I swear (or affirm) that this return has been examined by me, and, to the best of my knowledge and belief, is a true and complete return for the taxable period as stated, pursuant to the Revenue Act of 1934 and regulations issued under authority thereof.

(If return is made by agent, the reason therefor must be stated on this line)

Sworn to and subscribed before me this 3 day of Aug, 1935

Jas F McDonald, DEPUTY COLLECTOR
(Signature of officer administering oath) (Title)

(Signature of taxpayer or agent)

(Address of agent)

CERTIFICATE OF COMPLIANCE

This certifies that the above-named person has complied with all tax obligations with respect to income accruing up to the end of the month just preceding the date of this certificate, as disclosed by assessment made by this office, or proof of exemption furnished.

Chief Office Deputy
Collector of Internal Revenue, or Internal Revenue Agent in Charge.

Date August 5, 1935 By

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Form 1040 B
TREASURY DEPARTMENT
INTERNAL REVENUE SERVICE

(Auditor's Stamp)

FORM 1054 MUST BE FILED WITH THIS RETURN

NONRESIDENT ALIEN INCOME TAX RETURN

For Calendar Year ~~1934~~ 1935

or ~~Fiscal Year~~ period begun April 5, 1935, ~~1934~~, and ended July 31, 1935, ~~1935~~

File This Return Not Later Than the 15th Day of the Sixth Month Following the Close of the Taxable Year

Do Not Write in These Spaces

File Code

Serial Number

District

(Cashier's Stamp)

PRINT NAME AND ADDRESS PLAINLY BELOW

CHARLES LAUGHTON
(Name) (Both husband and wife, if this is a joint return)

c/o Frank Joyce-Myron Selznick,Ltd., 9460 Wilshire Blvd.,
(street and number)

Beverly Hills (Post office) California (State) U.S.A. (Country)

Cash Check M. O. Cert. of Ind. (First Payment)

Occupation, Business, or Profession Motion picture artist $

1. If you filed a return for the prior year, to which Collector's office was it sent? New York
2. Of what country are you a citizen or subject? Great Britain
3. If your status with respect to question 4 changed during the year, state date and nature of change
3. State name of husband or wife if a separate return was made and the Collector's office to which it was sent
4. How many dependent persons (other than husband or wife) under 18 years of age or incapable of self-support received their chief support from you during your taxable year?

6. State the amount of income excluded (Instruction 30 (g) and (h)) from gross income None $
7. Did any person or persons advise you in respect of any question or matter affecting any item or schedule of this return, or assist or advise you in the preparation of this return, or actually prepare this return for you? Yes (Answer "yes" or "no") If so, give the name and address of such person or persons and state the nature and extent of the assistance or advice received by you and the items or schedules in respect of which the assistance or advice was received; if this return was actually prepared by any person or persons other than yourself, state the source of the information reported in this return and the manner in which it was furnished to or obtained by such person or persons Affidavit attached

INCOME

(Derived in full from sources within United States, and expenses, losses, and other deductions properly allocated thereto)

Item and Instruction No.		Gross amount	Expenses paid (Explain in Schedule E)	
1.	Salaries, Wages, Commissions, Fees, etc. (State name and address of employer) Motion Picture & Theatrical Industries, Ltd.	$ 16,273.60	$ 1,565.68	$ 14,707.92
2.	Income (or Loss) from Business or Profession. (From Schedule A)			
3.	Interest on Notes, Mortgages, etc. (except interest on corporation bonds)			
4.	Interest on Corporation Bonds Upon Which an Income Tax of 2%, 4%, or 8% was Paid at Source			
5.	Income (or Loss) from Partnerships, Syndicates, Pools, etc. (State separately name and address and amount)			
6.	Income from Fiduciaries. (State separately name and address and amount)			
7.	Rents and Royalties. (From Schedule B)			
8.	Capital Gain (or Loss). (From Schedule C)			
9.	Interest on obligations of instrumentalities of the United States. (From Schedule D, Col. 3, Line 6)			
10.	Dividends on Stock of: (a) Domestic Corporations subject to taxation under Title I of 1934 Act			
	(b) Domestic Corporations not subject to taxation under Title I of 1934 Act			
11.	Other income. (State nature) (Use separate schedule, if necessary)			
12.	TOTAL INCOME IN ITEMS 1 TO 11			$ 14,707.92

DEDUCTIONS

13.	Interest Paid	$	
14.	Taxes Paid. (Explain in Schedule E)		
15.	Losses by Fire, Storm, etc., of Property in United States. (Explain in table at foot of page 2)		
16.	Losses in Transactions Entered into for Profit. (Explain in Schedule E)		
17.	Bad Debts. (Explain in Schedule E)		
18.	Contributions. (Explain in Schedule E) Schedule attached		200.00
19.	Other Deductions Authorized by Law. (Explain on separate sheet)		
20.	Ratable Part of Deductions Not Definitely Allocated to Any Class of Gross Income. (Explain in Schedule F)		
21.	TOTAL OF ITEMS 13 TO 20		200.00
22.	NET INCOME DERIVED IN FULL FROM SOURCES WITHIN UNITED STATES (Item 12 minus Item 21)		$ 14,507.92
23.	That Portion of Net Income from Sources Partly Within and Partly Without U. S. Attributable to Sources Within U. S. (Explain in Sched. G)		
24.	TOTAL NET INCOME FROM SOURCES WITHIN UNITED STATES (Item 22 plus Item 23)		$ 14,507.92

COMPUTATION OF TAX (See Instruction 28)

25.	Net income (Item 24 above)		$ 14,507.92	33. Normal Tax (4% of Item 32)	$ 572.14
26.	Less: Personal exemption	$ 333.33		34. Surtax on Item 28. (See Instruction 28)	615.71
27.	Credit for Dependents		333.33	35. Total tax (Item 33 plus Item 34)	$ 1,187.85
28.	Balance (Surtax net income)		$ 14,174.59	36. Less: Income tax paid at source *	664.78
29.	Less: Interest on Obligations of Instrumentalities of U. S. (Item 9)	$		37. Balance of Tax. (Item 35 minus Item 36)	483.07
30.	Dividends. (Item 10 (a))				
31.	Earned Income Credit. (See Instruction 27)	871.06	871.06		
32.	Balance subject to normal tax		$ 13,303.53		

NOTE.—Only residents of Canada or Mexico should fill in Item 37. (See Instruction 26.)

* Tax withheld at source for current period $ 650.94
Overpayment of tax for period 1/1/35 to 2/13/35 13.84
$ 664.78

AFFIDAVIT (See Instruction 32)

I/we swear (or affirm) that this return (including its accompanying schedules and statements, if any) has been examined by me/us, and to the best of my/our knowledge and belief is a true, correct, and complete return, made in good faith, for the taxable year stated, pursuant to the Revenue Act of 1934 and the Regulations issued thereunder.

Sworn to and subscribed by Charles Laughton before me this 2nd day of August, 1935

NOTARIAL SEAL

George H. Levitt
NOTARY PUBLIC
In and for the County of Los Angeles, State of California
My Commission expires

AFFIDAVIT (See Instruction 32)

I/we swear (or affirm) that I/we prepared this return for the person or persons named herein and that the return (including its accompanying schedules and statements, if any) is a true, correct, and complete statement of all the information respecting the income tax liability of the person or persons for whom this return has been prepared of which I/we have any knowledge.

Sworn to and subscribed before me this day of, 193

Affidavit attached

NOTARIAL SEAL

U. S. GOVERNMENT PRINTING OFFICE: 1935 2—10048

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SCHEDULE A—INCOME (OR LOSS) FROM BUSINESS OR PROFESSION (See Instruction 2)

1. Total receipts from business or profession $

Cost of Goods Sold

2. Labor $
3. Material and supplies
4. Merchandise bought for sale
5. Other costs (Itemize below or on separate sheet)
6. Plus inventory at beginning of year
7. Total (Lines 2 to 6) $
8. Less inventory at end of year
9. Net Cost of Goods Sold (Line 7 minus Line 8) $

Enter "C" or "C or M" on Lines 6 and 8 to indicate whether inventories are valued at cost, or cost or market, whichever is lower.

Other Business Deductions

10. Salaries not included as "Labor" in Line 2 (Do not deduct compensation for your services) $
11. Interest on business indebtedness to others
12. Taxes on business and business property
13. Losses (explain in table at foot of page)
14. Bad debts arising from sales or services reported as income and charged off
15. Depreciation, obsolescence, and depletion (explain in table provided at foot of page)
16. Rent, repairs, and other expenses (Itemize below or on separate sheet)
17. Total (Lines 10 to 16) $
18. Total Deductions (Line 9 plus Line 17)
19. Net Profit (or Loss) (Line 1 minus Line 18) (Enter as Item 7) $

Explanation of deductions claimed on Lines 5 and 16

SCHEDULE B—INCOME FROM RENTS AND ROYALTIES (See Instruction 7)

1. Kind of Property	2. Amount Received	3. Cost or Value as of March 1, 1913, Wherever Greater	4. Depreciation (Explain in table at foot of page)	5. Repairs	6. Other Expenses (Itemize below)	7. Net Profit (Enter as Item 7)
	$	$	$	$	$	$

Explanation of deductions claimed in Column 6

SCHEDULE C—CAPITAL GAINS AND LOSSES (See Instruction 8)

1. Description of Property	2. Date Acquired	3. Date Sold or Exchanged	4. Amount Realized	5. Cost or March 1, 1913, Value if Acquired Before That Date. (Indicate basis) **	6. Cost of Improvements Subsequent to Acquisition or March 1, 1913	7. Depreciation Allowed (or Allowable) Since Acquisition or March 1, 1913 (Furnish details)	8. Gain or Loss	9. Percentage of Gain or Loss to be Taken into Account	10. Gain or Loss to be Taken into Account: a. Gains	b. Losses
	Mo. Day Year	*Mo. Day Year*								
* Held 1 year or less:			$	$	$	$	$	100	$	$
* Held over 1 year but not over 2 years:								80		
* Held over 2 years but not over 5 years:								60		
* Held over 5 years but not over 10 years:								40		
* Held over 10 years:								30		

Total Gains and Losses (Enter net gain or loss as Item 8) (Capital losses are allowable only to the extent of $2,000 plus capital gains) $ $

* In reporting sales or exchanges of capital assets attach separate schedule, if necessary, for transactions coming within each of the 5 periods, and transfer gains and losses for each period to Columns 10 above.
** Cost of property must be entered in Column 5 if a loss is claimed in Column 8.

State (1) how property was acquired ; (2) Personal or business relationship, if any, of purchaser
Every sale or exchange of stock should be reported in detail, including name and address of corporation, class of stock, number of shares, capital changes affecting basis (stock dividends, other nontaxable dividends, stock rights, etc.)

SCHEDULE D—INCOME FROM DIVIDENDS (See Instruction 10)

Itemize all dividends received during the year, stating amounts and names and addresses of corporations declaring the dividends:

.....

SCHEDULE E—EXPLANATION OF DEDUCTIONS CLAIMED IN ITEMS 1, 14, 16, 17, AND 18

SCHEDULE ATTACHED

SCHEDULE F—EXPLANATION OF RATABLE PART OF DEDUCTIONS NOT ALLOCATED TO ANY CLASS OF GROSS INCOME (See Instruction 2)

1. Total gross income from all sources $
2. Total gross income from sources within U. S. $
3. Ratio of gross income from sources within U. S. to gross income from all sources (Line 2 divided by Line 1)
4. Total deductions $
5. Deductions allocated to income from sources within U. S. $
6. Deductions allocated to income from sources without U. S. $
7. Deductions not allocated to any class of income $
8. Amount of such deductions which may be allocated to income from sources within U. S. (Line 7 multiplied by Line 3) $

SCHEDULE G—EXPLANATION OF ITEM 23 (See Instruction 23)

Explain fully how amount entered in Item 23 was determined:

.....

SCHEDULE H—INTEREST ON LIBERTY BONDS AND OTHER OBLIGATIONS OR SECURITIES (See Instruction 9)

1. Obligations or Securities	2. Amount Owned	3. Interest Received or Accrued
(a) Obligations of a State, territory, or political subdivision thereof, or the District of Columbia, or United States possessions	$	$
(b) Obligations issued under Federal Farm Loan Act, or under such Act as amended		
(c) Liberty 3½% Bonds and other obligations of United States issued on or before September 1, 1917		
(d) Treasury Notes, Treasury Bills, and Treasury Certificates of Indebtedness		
(e) Liberty 4% and 4¼% Bonds and Treasury Bonds		
(f) Obligations of instrumentalities of the United States (other than obligations to be reported in (b) above; enter the amount in Column 3 as Item 9)		

EXPLANATION OF DEDUCTION FOR DEPRECIATION CLAIMED IN SCHEDULES A AND B

1. Kind of Property (If buildings, state material of which constructed)	2. Date Acquired	3. Cost or March 1, 1913, Value if Acquired Prior to That Date (Indicate basis)	4. Assets Fully Depreciated in Use at End of Year	5. Depreciation Allowed or Allowable in Prior Years	6. Remaining Cost or Other Basis to be Recovered	7. Rate (Per Cent) Estimated in Accordance with Regulations	8. Estimated Useful Life at Beginning of Year	9. Depreciation Allowable This Year
		$	$	$	$			$

EXPLANATION OF DEDUCTION FOR LOSSES BY FIRE, STORM, ETC., CLAIMED IN SCHEDULE A AND IN ITEM 15

1. Kind of Property	2. Date Acquired	3. Cost	4. Subsequent Improvements	5. Depreciation Allowable Since Acquisition	6. Insurance and Salvage	7. Deductible Loss
		$	$	$	$	$

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CHARLES LAUGHTON

NON-RESIDENT ALIEN INCOME TAX RETURN
FOR THE PERIOD FROM APRIL 5, 1955, TO JULY 31, 1955

SCHEDULE E

ITEM 1 - EXPENSES PAID

Automobile expenses:				
Depreciation of automobile:				
Purchased June 15, 1954.				
Cost	$965.60			
Depreciation to July 31, 1955.				
15 months at 25%	$261.52			
Less: Amount allowable in previous periods	160.93	$ 100.59		
Chauffeur's salary		500.00		
Maintenance - oil, gas, etc.		505.29		
		$1,105.88		
50% thereof a necessary business expense			$552.94	
Business manager			250.00	
Publicity and advertising expense			139.91	
Manuscripts, books, etc.			35.55	
Telephone and telegraph expense in connection with business			272.51	
Office expenses			75.20	
Wardrobe:				
Total amount expended		$ 487.14		
50% thereof a necessary business expense			243.57	
				$1,565.68

ITEM 18 - CONTRIBUTIONS

Los Angeles Community Chest	$ 200.00

1 1 5

STATE OF CALIFORNIA)
) ss
COUNTY OF LOS ANGELES)

I, ALWIN W. JOHNSON, acting on behalf of Frank Joyce-Myron Selznick, Ltd., 9460 Wilshire Boulevard, Beverly Hills, California, as adviser for Charles Laughton, affirm that pursuant to instructions received from Mr. Charles Laughton I prepared the attached return covering the period from April 5, 1955, to July 31, 1955, showing net income of $14,507.92 and tax liability of $1,147.85 of which $664.78 has been withheld at source leaving balance due of $483.07, on the basis of information furnished by Mr. William Laird of 339 N. Beverly Drive, Beverly Hills, California, without independent verification by me; that the information set out in the return correctly and fairly reflects the information furnished to or discovered by me during the course of the preparation of the return and that said information is true to the best of my information and belief.

Alwin W. Johnson
Alwin W. Johnson

Subscribed and sworn to before
me this 27th day of July, 1955.

[illegible]
Notary Public
In and for the [illegible] State of California
My Commission [illegible] March 31, 1958

U. S. BOARD OF TAX APPEALS
DIV. 12 DOCKET 88104
ADMITTED IN EVIDENCE
JUN 27 1938
PETITIONER'S EXHIBIT 3
~~RESPONDENT'S~~

FORM 540NR

This return must be filed with the Franchise Tax Commissioner, Income Tax Division, on or before the 15th day of the fourth month following the close of the taxable year

STATE OF CALIFORNIA
INCOME TAX DIVISION

INDIVIDUAL INCOME TAX RETURN

NONRESIDENT

For Incomes Derived From Sources Within This State

For Calendar Year 1935

or fiscal year begun _____, 1935, and ended _____, 1936

PRINT NAME AND ADDRESS PLAINLY BELOW

Charles Laughton
(Name) (Both husband and wife, if this is a joint return)

34 Gordon Square
(Street and number, or rural route)

London (Post office) _____ (County) England (State)

DO NOT WRITE IN THESE SPACES

File Code _____

Serial Number _____

CV | A

PE | RA

Cash | Check | M.O.

First Payment

$ _____

1. Of what State are you a resident? England
2. Were you in this State for more than six months of the taxable year? No
3. Did you maintain a place of abode in this State for more than six months of the taxable year? No
4. Were you married and living with husband or wife during your taxable year? Yes
5. Is this a joint return of husband and wife? No
6. State name of husband or wife if a separate return was made: Elsa Lanchester
7. If not married, were you during your taxable year supporting in your household one or more persons closely related to you? _____
8. How many dependent persons (other than husband or wife) under 18 years of age or incapable of self-support received their chief support from you during your taxable year? _____
9. If your status in respect to question 4, 7, or 8 changed during the year, state date and nature of change _____
10. State whether your books are kept on cash or accrual basis: Cash
11. State occupation, business, or profession: Motion Picture Artist

ATTACH REMITTANCE HERE

Item and Instruction No.	INCOME	Amount received	Deposit paid Explain in Schedule F						
1.	Salaries, Wages, Commissions, Fees, etc. (State name and address of employer) Motion Picture & Theatrical Industries, Ltd.	$ 22,419.09	$ 2,415.69			20	003	40	
2.	Income (or Loss) from Business or Profession. (From Schedule A)								
3.	Interest on Bank Deposits, Notes, Corporation Bonds, etc.								
4.	Income (or Loss) from Partnerships, Syndicates, Pools, etc. (State name, address and business)								
5.	Income from Fiduciaries. (State name and address)								
6.	Rents and Royalties. (From Schedule B)								
7.	Capital Gain (or Loss). (From Schedule C)								
8.	Interest on State, Municipal, or other bonds, etc. (From Schedule D)								
9.	Dividends on Stock. (From Schedule E)								
10.	Other Income. (State nature) (Use separate schedule, if necessary)								
11.	TOTAL INCOME IN ITEMS 1 TO 10					$ 20	003	40	
	DEDUCTIONS								
12.	Interest Paid		$						
13.	Taxes Paid. (Explain in Schedule F) (See Instructions)						6	00	
14.	Losses by Fire, Storm, etc. (Explain in table at foot of page 2)								
15.	Bad Debts. (Explain in Schedule F)								
16.	Contributions. (Explain in Schedule F) Los Angeles Community Chest						200	00	
17.	Other Deductions Authorized by law. (Explain in Schedule F)								
18.	TOTAL DEDUCTIONS IN ITEMS 12 TO 17						206	00	
19.	NET INCOME (Item 11 minus Item 18)					$ 19	797	40	

RECEIVED APR 20 1936 SACRAMENTO FRANCHISE TAX COMMISSION

COMPUTATION OF TAX (See Instruction 24)

20.	Net Income (Item 19 above)		$	19	797	40	24. Tax (See Instruction 24)	$ 391	90
21.	Less: Personal exemption	$2500 00					25. Less: ~~Income tax paid to another State~~ Tax withheld at source ~~(Attach statement)~~	496.	76
22.	Credit for Dependents			2	500	00			
23.	Balance subject to tax		$	17	297	40	26. Balance of Tax . Overpaid	$ 104	86

AFFIDAVIT (See Instruction 26)

I swear (or affirm) that this return (including its accompanying schedules and statements, if any) has been examined by me, and to the best of my knowledge and belief is a true, correct, and complete return, made in good faith, for the taxable year stated, pursuant to "The Personal Income Tax Act of 1935" (Statutes 1935, Chapter 329).

(If return is made by agent, the reason therefor must be stated on this line)

Subscribed and sworn to before me this third *day of* April *1936.*

Charles Laughton
(Signature of individual or agent)

NOTARIAL SEAL

See Instruction 4 (Signature and title of officer administering oath) London, England (Address of agent if return is made by agent)

Mail Return and Remittance to FRANCHISE TAX COMMISSIONER, Income Tax Division, Sacramento, California

Make remittance payable to the State Treasurer

SCHEDULE A—INCOME (OR LOSS) FROM BUSINESS OR PROFESSION (See Instruction 2)

1. Total receipts from business or profession (state kind of business) _____ $ _____

Cost of Goods Sold

2. Labor — $
3. Material and supplies
4. Merchandise bought for sale
5. Other costs (itemize below or on separate sheet)
6. Plus inventory at beginning of year
7. TOTAL (Lines 2 to 6) — $
8. Less inventory at end of year
9. NET COST OF GOODS SOLD (Line 7 minus Line 8) — $

Enter "C," or "C or M," on Lines 6 and 8 to indicate whether inventories are valued at cost, or cost or market, whichever is lower.

Other Business Deductions

10. Salaries not included as "Labor" in Line 2 (do not deduct compensation for your services) — $
11. Interest on business indebtedness to others
12. Taxes on business and business property
13. Losses (explain in table at foot of page)
14. Bad debts arising from sales or services
15. Depreciation, obsolescence, and depletion (explain in table provided at foot of page)
16. Rent, repairs, and other expenses (itemize below or on separate sheet)
17. TOTAL (Lines 10 to 16) — $
18. TOTAL DEDUCTIONS (Line 9 plus Line 17)
19. NET PROFIT (or LOSS) (Line 1 minus Line 18) (Enter as Item 2) — $

Explanation of deductions claimed on Lines 5 and 16 _____

SCHEDULE B—INCOME FROM RENTS AND ROYALTIES (See Instruction 6)

1. Kind of Property	2. Amount Received	3. Cost or Value as of March 1, 1913, Whichever Greater	4. Depreciation (Explain in table at foot of page)	5. Repairs	6. Other Expenses (Itemize below)	7. Net Profit (Enter as Item 6)
	$	$	$	$	$	$

Explanation of deductions claimed in Column 6 _____

SCHEDULE C—CAPITAL GAINS AND LOSSES (See Instruction 7)

1. Description of Property	2. Date Acquired	3. Date Sold or Exchanged	4. Amount Realized	5. Cost or March 1, 1913, Value if Acquired Before that Date (Indicate basis)**	6. Cost of Improvements Subsequent to Acquisition or March 1, 1913	7. Depreciation Allowed (or Allowable) Since Acquisition or March 1, 1913 (Furnish details)	8. Gain or Loss	9. Percentage of Gain or Loss to be Taken Into Acct.	10. Gain or Loss to be Taken Into Account: a. Gains	10. Gain or Loss to be Taken Into Account: b. Losses
(*Held 1 year or less)	Mo Day Year	Mo Day Year	$	$	$	$	$	100	$	
(*Held over 1 year but not over 2 years)								80		
(*Held over 2 years but not over 5 years)								60		
(*Held over 5 years but not over 10 years)								40		
(*Held over 10 years)								30		
									$	$

TOTAL GAINS AND LOSSES (Enter net gain or loss as Item 7) (Capital losses are allowable only to the extent of $2,000 plus capital gains)

*In reporting sales or exchanges of capital assets attach separate schedule, if necessary, for transactions coming within each of the 5 periods, and transfer gains and losses for each period to Column 10 above.
**Cost of property must be entered in Column 5 if a loss is claimed in Column 8.
State (1) how property was acquired _____ ; (2) Personal or business relationship, if any, of purchaser _____
Every sale or exchange of stock should be reported in detail, including name and address of corporation, class of stock, number of shares, capital changes affecting basis (stock dividends, other nontaxable dividends, stock rights, etc.)

SCHEDULE D—INTEREST ON STATE, MUNICIPAL, AND OTHER BONDS OR OBLIGATIONS (See Instruction 8)

1. Bonds or Obligations	2. Amount Owned	3. Interest Received or Accrued (Enter as Item 8)
	$	$
(a) Bonds of this State, or of political subdivisions thereof, issued on or before November 4, 1902		
(b) Obligations other than bonds, such as warrants, certificates, judgments, etc., of this State or of political subdivisions thereof and bonds or other obligations of other States, foreign countries, territories and possessions of the United States, and political subdivisions thereof		
TOTAL		$

SCHEDULE E—INCOME FROM DIVIDENDS

Itemize all dividends received during the year, stating amounts and names and addresses of corporations declaring the dividends

SCHEDULE F—EXPLANATION OF DEDUCTIONS CLAIMED IN ITEMS 1, 13, 15, 16, AND 17

Schedule attached

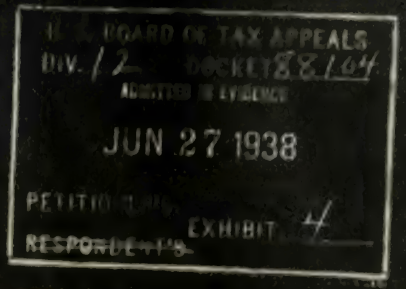
EXPLANATION OF DEDUCTION FOR DEPRECIATION CLAIMED IN SCHEDULES A AND B

1. Kind of Property (If buildings, state material of which constructed)	2. Date Acquired	3. Cost or March 1, 1913 Value if Acquired Prior to That Date (Indicate basis)	4. Assets Fully Depreciated in Use at End of Year	5. Depreciation Allowed or Allowable in Prior Years	6. Remaining Cost or Other Basis to be Recovered	7. Life Used in Computing Depreciation	8. Estimated Remaining Life From Beginning of Year	9. Depreciation Allowable this Year
		$	$					

EXPLANATION OF DEDUCTION FOR LOSSES BY FIRE, STORM, ETC., CLAIMED IN SCHEDULE A AND IN ITEM 14

1. Kind of Property	2. Date Acquired	3. Cost	4. Subsequent Improvements	5. Depreciation Ultimate Since Acquisition	6. Insurance and Salvage Value	7. Deductible Loss
		$			$	

Taxpayer must complete fully all schedules where required. If space provided is inadequate attach separate schedules.


U. S. BOARD OF TAX APPEALS
DIV. 12 DOCKET 88104
ADMITTED IN EVIDENCE
JUN 27 1938
PETITIONER'S EXHIBIT 4
RESPONDENT'S

FORM 1094 MUST BE FILED WITH THIS RETURN

Form 1120
TREASURY DEPARTMENT
INTERNAL REVENUE SERVICE

59777 (Auditor's Stamp)
REVIEWED
DATE ... 1935

CORPORATION INCOME AND EXCESS-PROFITS TAX RETURN
For Calendar Year 1934

File Code

Serial Number 425254

District

(Collector's Stamp)

or Fiscal Year begun , 1934, and ended , 1935

PRINT PLAINLY CORPORATION'S NAME AND BUSINESS ADDRESS

MOTION PICTURE & THEATRICAL LITERATURE, LTD.

6 Talbot House (Street and number) 36 St. Martin's Lane

LONDON, ENGLAND (Post office and State)

It is Essential, Except Where Otherwise Provided in the Instructions, That This Form be Completely Filled In Irrespective of Any Statements, Schedules, or Reports Submitted Herewith

Cash Check M.O. Cert. of Ind. First Payment

$

Date of Incorporation April 30, 1934

Under the Laws of what State or Country England

The Corporation's Books are in Care of Loyd Wright Located at 111 West 7th St., Los Angeles, Calif.

Kind of Business (in detail) Theatrical (Also check industrial division on page 2) Is This a Consolidated Return of Railroad Corporations? No If so, of How Many Corporations?

If a Foreign Corporation, State Whether Resident or Nonresident Non-Resident; if Nonresident, State Amount of Income Excluded [illegible] From Gross Income. None

Is the Corporation a personal holding company within the meaning of Section 351 of the Revenue Act of 1934? No (Answer "yes" or "no") (If so, an additional return on Form 1120 H must be filed)

ATTACH REMITTANCE HERE

Item and Instruction No.

GROSS INCOME

1. Gross Sales (where inventories are an income-determining factor), $; Less Returns and Allowances, $; Net Sales $

2. Less Cost of Goods Sold:
 (a) Inventory at beginning of year $
 (b) Material or merchandise bought for manufacture or sale
 (c) Miscellaneous costs (From Schedule A, Column 1):
 (1) Salaries and wages, $; (2) Other costs, $; Total
 (d) Total of lines (a), (b), and (c) $
 (e) Less inventory at end of year

3. Gross Profit from Sales (Item 1 minus Item 2) $

4. Gross Receipts (where inventories are not an income-determining factor) $ 93,233.33

5. Less cost of operations (From Schedule A, Column 2):
 (a) Salaries and wages, $; (b) Other costs, $ Schedule attached ; Total 47,077.73

6. Gross Profit where inventories are not an income-determining factor (Item 4 minus Item 5) 46,255.60

7. Interest on Loans, Notes, Mortgages, Bonds, Bank Deposits, etc

8. Rents

9. Royalties

10. Capital Gain or Loss (From Schedule B)

11. Interest on Liberty Bonds, etc. (From Schedule J)

12. Dividends on Stock of:
 (a) Domestic Corporations subject to taxation under Title I of Revenue Act of 1934
 (b) Domestic Corporations not subject to taxation under Title I of Revenue Act of 1934
 (c) Foreign Corporations

13. Other Income (State nature of income) (Use separate schedule, if necessary)

14. TOTAL INCOME IN ITEMS 3, AND 6 TO 13, INCLUSIVE $ 46,255.60

DEDUCTIONS

15. Compensation of Officers (From Schedule C) $

16. Rent on Business Property

17. Repairs (From Schedule D): (a) Salaries and Wages, $; (b) Other Costs, $; Total

18. Interest

19. Taxes (From Schedule E)

20. Losses by Fire, Storm, etc. (From Schedule F)

21. Bad Debts (From Schedule G)

22. Dividends (Item 12 (a) above)

23. Depreciation (resulting from exhaustion, wear and tear, or obsolescence) (From Schedule I)

24. Depletion of Mines, Oil and Gas Wells, Timber, etc. (Submit schedule, see Instruction 24)

25. Other Deductions Authorized by Law (Explain below, or on separate sheet):
 (a) Salaries and wages. (Not included in Items 2, 5, 15, or 17 above)
 (b)

26. TOTAL DEDUCTIONS IN ITEMS 15 TO 25

27. NET INCOME (Item 14 minus Item 26) $ 46,255.60

COMPUTATION OF TAX

Income Tax		Excess-Profits Tax	
28. Net Income (Item 27, above)	46,255.60	35. Net Income for Excess-profits Tax Computation (Item 27, above)	
29. Less Interest on Liberty Bonds, etc. (Item 11)		36. Less: 12½% of $ Exemption claimed value of capital stock as declared in your capital-stock tax return for year ended June 30, 1934	
30. Balance subject to Income Tax (Item 28 minus Item 29)	46,255.60	37. Amount Subject to Excess-profits Tax (Item 35 minus Item 36)	None
31. Income Tax (12½% of Item 30) (or 15½% of Item 30, if this is a consolidated return of railroad corporations)	6,380.15	38. Excess-profits Tax (5% of Item 37)	None
32. Less: Income Tax Paid at Source. (This credit can be allowed only to a nonresident foreign corporation)	12,853.33		
33. Income Tax Paid to a Foreign Country or U.S. Possession by a Domestic Corporation			
34. Balance (Item 31 minus Items 32 and 33) Overpayment	6,473.18		

Note—Separate computation of Excess-profits Tax must be made on Form 1120 by each member of an affiliated group of railroad corporations making a consolidated Income Tax return.

2—10631

SCHEDULE K—BALANCE SHEETS

Items	Beginning of Taxable Year		End of Taxable Year	
	Amount	Total	Amount	Total
ASSETS				
1. Cash		$		$
2. Notes receivable				
3. Accounts receivable	$		$	
(a) Less reserve for bad debts				
4. Inventories:				
(a) Raw materials	$		$	
(b) Work in process				
(c) Finished goods				
(d) Supplies				
5. Investments (nontaxable):				
(a) Obligations of a State, Territory, or any political subdivision thereof, or District of Columbia, or United States possessions	$		$	
(b) Obligations of instrumentalities of the United States				
(c) Obligations of the United States				
6. Other investments:				
(a) Stocks of domestic corporations	$		$	
(b) Bonds of domestic corporations				
(c) Stocks and bonds of foreign corporations				
(d) All other investments or loans				
7. Deferred charges:				
(a) Prepaid insurance	$		$	
(b) Prepaid taxes				
(c) All other				
8. Capital assets:				
(a) Land	$		$	SCHEDULE ATTACHED
(b) Buildings				
(c) Machinery and equipment				
(d) Furniture and fixtures				
(e) Delivery equipment				
(f) Less reserves for depreciation (except on land)	$		$	
9. Patents				
10. Good will				
11. Other assets (describe fully):				
	$		$	
12. TOTAL ASSETS		$		$
LIABILITIES				
13. Notes payable (less than one year)		$		$
14. Accounts payable				
15. Bonds and notes (not secured by mortgage)				
16. Mortgages (including bonds and notes so secured)				
17. Accrued expenses:				
(a) Interest	$		$	
(b) Taxes				
(c) All other				
18. Other liabilities (describe fully):				
	$		$	
19. Capital stock:				
(a) Preferred stock (less stock in treasury)	$		$	
(b) Common stock (less stock in treasury)				
20. Surplus	$		$	
21. Undivided profits				
22. TOTAL LIABILITIES		$		$

Remarks

2—19831

D-2

STATE OF CALIFORNIA)
) SS
COUNTY OF LOS ANGELES)

I, ALWIN W. JOHNSON, acting on behalf of Frank Joyce-Myron Selznick, Ltd., 9460 Wilshire Boulevard, Beverly Hills, California, as advisor for Motion Picture & Theatrical Industries, Ltd., affirm that pursuant to instructions received from Mr. Loyd Wright, 111 West Seventh Street, Los Angeles California, United States agent for Motion Picture & Theatrical Industries, Ltd. I prepared the attached return covering the calendar year 1934 showing net income of $46,255.60 and tax liability of $6,360.15 on the basis of information furnished by Mr. Loyd Wright without independent verification by me; that the information set out in the return and accompanying schedules correctly and fairly reflects the information furnished to or discovered by me during the course of the preparation of the return and that said information is true to the best of my information and belief.

Alwin W. Johnson
Alwin W. Johnson

Subscribed and sworn to before me
this 14 day of June, 1935.

Notary Public in and for the County
of Los Angeles, State of California

NOTARY PUBLIC
In and for the County of Los Angeles, State of California
My Commission Expires March 30, [illegible]

N-3

MOTION PICTURE & THEATRICAL INDUSTRIES, LTD.

1934 FEDERAL INCOME AND EXCESS-PROFITS TAX RETURN

NET INCOME FROM SOURCES WITHIN THE UNITED STATES

INCOME.

Metro-Goldwyn-Mayer Studio, Culver City, California	$45,333.33
Paramount Productions, Inc., Los Angeles, California	48,000.00
	$93,333.33

EXPENSES.

Salary - Charles Laughton		$32,811.00	
Commissions - Joyce-Selznick, Ltd.		8,433.32	
Legal Fees & Expenses - Loyd Wright		5,271.33	
Auditing		225.00	
Advertising and publicity:			
Variety	$143.20		
Hollywood Reporter	142.50		
Police Review	25.00		
I.A.T.S.E. Local #37 - Contribution	25.00	335.70	
Federal excise tax on checks		.02	
			47,077.07
Net Income from sources within the United States			$46,255.60

MOTION PICTURE & THEATRICAL INDUSTRIES, LTD.

1934 FEDERAL INCOME AND EXCESS-PROFITS TAX RETURN

SCHEDULE K - BALANCE SHEET - DECEMBER 31, 1934

	United States	England (Rate $4.94)	Together
ASSETS			
Cash	$38,334.77	$12,757.02	$51,091.79
Accounts receivable	2,587.50	27,911.00	30,498.50
Excess of United States Federal income tax withheld at source over actual tax	6,473.18		6,473.18
Current account	7,500.00	7,410.00	90.00
	$39,805.45	$43,078.02	$87,973.47
LIABILITIES			
Share capital		$33,040.00	$33,040.00
Surplus	$39,805.45	10,470.02	54,933.47
	$39,805.45	$43,078.02	$87,973.47

SCHEDULE L—RECONCILIATION OF NET INCOME AND ANALYSIS OF CHANGES IN SURPLUS

1. Net income from Item 27, page 1 of the return		46,205.69
2. Nontaxable income:		
(a) Interest on obligations of a State, Territory, or any political subdivision thereof, or the District of Columbia, or United States possessions		
(b) Interest on obligations of the United States (except interest in excess of exemption as reported in Schedule J (6))		
(c) Dividends deductible under Section 23 (p) of the Revenue Act of 1934		
(d) Proceeds of life insurance policies paid upon the death of the insured		
(e) Other items of nontaxable income (to be detailed):		
(1) Income from sources		
(2) outside of the United		
(3) States		13,473.02
3. Charges against reserve for bad debts, if Item 21, page 1 of return, is not an addition to a reserve		
4. Charges against reserves for contingencies, etc. (to be detailed):		
(a)		
(b)		
(c)		
5. Total of Lines 1 to 4, inclusive		64,232.82
6. Total from Line 14		8,360.15
7. Net profit or loss for year, as shown by books, before any adjustments are made therein (Line 5 minus Line 6) (If loss, indicate)		58,333.47
8. Surplus and undivided profits as shown by balance sheet at close of preceding taxable year		
9. Other credits to surplus (to be detailed):		
(a)		
(b)		
(c)		
10. Total of Lines 7 to 9, inclusive		58,333.47
11. Total from Line 17		
12. Surplus and undivided profits as shown by balance sheet at close of taxable year (Line 10 minus Line 11)		58,333.47

13. [illegible]		
(a) [illegible]		
(b) [illegible]		
(c) [illegible]		
(d) [illegible]		
(e) [illegible]		
(f) [illegible]		
(g) [illegible]		
(h) [illegible]		
(i) [illegible]		
(j) [illegible]		
(1)		
(2)		
(k) Other [illegible] (to be detailed):		
(1) United States Bonds		
(2) Income Later Withheld		
(3) As Above		[illegible]
14. Total of Line 13		[illegible]
15. Dividends paid during the taxable year (state whether paid in cash, stock of the corporation, or other property):		
(a) Date paid Character		
(b) Date paid Character		
(c) Date paid Character		
(d) Date paid Character		
16. Other debits to surplus (to be detailed):		
(a)		
(b)		
(c)		
17. Total of Lines 15 and 16		

NET INCOME (OR DEFICIT) REPORTED IN RETURN FOR CALENDAR YEAR 1933 OR FISCAL YEAR 1934

1. Net income..... $..... (or deficit $.....)

NATURE OF BUSINESS

2. Check the block to indicate the industrial division in which the corporation's main income producing business falls:

☐ **Agriculture** and related industries, including fishing, forestry, ice-harvesting; leasing such properties.

☐ **Mining** and **quarrying**, including gas and oil wells; leasing such properties.

MANUFACTURING

Food and kindred products:

☐ Bakery and confectionery products.

☐ Canned products—fish, fruit, vegetables, poultry.

☐ Mill products—bran, flour, feed.

☐ Packing-house products—meats, lard; slaughtering.

☐ Sugar—beet, cane, maple; molasses, syrups; refining.

☐ Other food products—butter substitutes, cereals, coffee, spices, dairy products; artificial ice, etc.

☐ Beverages, soft drinks, mineral water.

☐ Brewing and distilling—alcohol, liquors, beer, malt extract, wines.

☐ Tobacco products.

Textiles:

☐ Cotton goods—dress goods, etc.; napping, dyeing.

☐ Woolen and worsted goods—dress goods, etc.; wool pulling, scouring.

☐ Silk and rayon goods—dress goods, thrown silk, etc.; spinning, warping.

☐ Carpets, floor coverings, tapestries, linoleum.

☐ Other textiles—cord, felt, fur, linen, artificial leather, surgical textiles, etc.

☐ Clothing—custom-made, factory-made, underwear, millinery, etc.

☐ Knit goods—sweaters, hosiery, etc.

☐ Leather boots, shoes, slippers, etc.

☐ Other leather products—saddlery, harness, trunks; finishing, tanning.

☐ Rubber tires and tubes.

☐ Other rubber goods—boots, shoes, hose, artificial rubber.

☐ Bone, celluloid and ivory products.

☐ Sawmill and planing mill products.

☐ Other wood products—carriages, wagons, furniture, baskets, etc.

☐ Paper, pulp and products.

☐ Printing, publishing, and allied industries.

☐ Petroleum and other mineral oil refining and products.

☐ Chemicals proper, acids, compounds, coal tar products, etc.

☐ Allied chemical substances, drugs, oils, soaps, etc.

☐ Paints, pigments, varnishes, etc.

☐ Fertilizers.

☐ Stone, clay, glass, and related products.

MANUFACTURING—(Continued)

Metal products and processes:

☐ Iron and steel products of blast furnaces, rolling mills, foundries.

☐ Locomotives and railroad equipment.

☐ Motor vehicles, complete or parts.

☐ Machinery—factory, used in producing food, leather, metal, paper, printing, rubber, stone, clay, glass, textile and wood products.

☐ Machinery—agricultural and equipment.

☐ Machinery—electrical and equipment.

☐ Machinery—other, building, construction, gas and mining machinery and equipment.

☐ Household equipment—metal furniture, refrigerators, sewing machines, washing machines, etc.

☐ Office equipment.

☐ Metal building material and equipment.

☐ Hardware, tools, etc.

☐ Precious metal products and processes.

☐ Other metals, products and processes.

Miscellaneous manufacturing:

☐ Radios, complete or parts.

☐ Musical, professional, and scientific instruments, optical goods, small boats.

☐ Airplanes, airships, seaplanes, parts.

☐ **Construction**—excavations, bridges, buildings, railroads, ships, equipping and installing systems.

☐ **Transportation**—rail, water, aerial, motor, etc.; leasing such facilities.

☐ **Public utilities**—electric light or power, gas (artificial or natural), pipe lines, telegraph, telephone, radio, water works, heat supply, toll bridges, etc., leasing such utilities.

☐ **Storage**—cold storage, grain elevators, warehouses, safe deposit vaults, etc.

Trade:

☐ Wholesale.

☐ Retail.

☐ Wholesale and retail.

☐ Commission.

☐ All other trade—repair service, garages for storage, film exchange, etc.

☒ **Service**—professional, business, amusement, domestic, and all other

Finance:

☐ Banks—national, State, private, savings; joint-stock land banks.

☐ Stock and bond brokers, investment bankers or brokers, investment trusts.

☐ Real estate, realty holding, real estate agents.

☐ Insurance companies (not agents).

☐ Other finance—loan companies, building and loan associations; note, mortgage or pawn brokers; stock exchanges; insurance agents.

AFFILIATIONS WITH OTHER CORPORATIONS (See Instruction 2):

3. Is this a consolidated return? No If so, [illegible] and list the names of affiliated companies included in this return.

4. Was the income of the corporation included in a consolidated return for the preceding year? No

If so, give name of corporation [illegible]

PREDECESSOR BUSINESS

5. Did the corporation file a return under the same name for a preceding taxable year? No Was the corporation in any way an outgrowth, result, continuation, or development of a business or businesses in existence during this or any prior year [illegible] No If answer is "yes", give name and address of predecessor business, and the date of the change in ownership.

If so, did any change occur in the ownership of the business? [illegible]
If the answer is "yes", [illegible] must be furnished.

BASIS OF RETURN

6. Is this return made on the basis of cash receipts and disbursements? Yes

If not, describe fully what other basis or method was used in computing net income.

VALUATION OF INVENTORIES

7. State whether the inventories at the beginning and end of the taxable year were valued at cost or cost or market, whichever is lower. If other basis was used, describe fully, state who used and the date inventory was last reconciled with stock. [illegible]

PREPARATION OF RETURN (See Instruction 11)

8. Did any person or persons advise the [illegible] item or schedule of this return, or assist or advise the corporation in the preparation of this return, or actually prepare this return for the corporation? Yes If so, give the name and address of such person or persons and state the nature and extent of [illegible] and schedules in respect of which the assistance or advice was rendered, and the basis prepared by any person or persons other than the corporation, state the source of the information furnished this return and the manner in which it was furnished [illegible] such person or persons.

Accountant

INFORMATION RETURN

9. Did the corporation make a return of information on Forms 1096 and 1099 (see Instruction 5) for the calendar year 1934? Yes

LIST OF ATTACHED SCHEDULES

10. Enter below a list of all schedules accompanying this return, giving for each a brief title and the schedule number. The name and address of the corporation should be placed on each separate schedule accompanying the return.

Schedule J - Net Income Subject to Tax
[illegible] the United States.
Schedule K - Balance Sheet
Affidavit of Non-Filing

SCHEDULE A (See Instructions 2 and 5)

1. COST OF SALES (WHERE INVENTORIES ARE AN INCOME-DETERMINING FACTOR) — Items	Amount (Enter as Item 2 (c))	2. COST OF OPERATIONS (WHERE INVENTORIES ARE NOT AN INCOME-DETERMINING FACTOR) — Items	Amount (Enter as Item 9)
Salaries and wages	$	Salaries and wages	$
Other costs		Other costs	

SCHEDULE B—CAPITAL GAINS AND LOSSES (See Instruction 10)

1. Description of Property	2. Date Acquired	3. Date Sold	4. Amount Received	5. Cost	6. March 1, 1913, Value if Acquired Before That Date	7. Cost of Improvements After Acquisition or March 1, 1913	8. Depreciation Allowable Since Acquisition or March 1, 1913 (Furnish Details)	9. Gain or Loss
	Mo. Day Year	Mo. Day Year						
			$	$	$	$	$	$

Net Gain or Loss (enter as Item 10) (Capital losses are allowable only to the extent of $2,000 plus capital gains) $

State (1) how property was acquired ; (2) whether at time of sale or exchange purchaser owned more than 50% in value of your outstanding stock

Every sale or exchange of stock should be reported in detail, including name and address of corporation, class of stock, number of shares, capital changes affecting basis (stock dividends, other nontaxable dividends, stock rights, etc.).

Cost of property must be entered in column 5 if a loss is claimed in column 9.

SCHEDULE C—COMPENSATION OF OFFICERS (See Instruction 15)

1. Name and Address of Officer	2. Official Title	3. Time Devoted to Business	Shares of Stock Owned: 4. Common	5. Preferred	6. Amount of Compensation (Enter as Item 18)
					$

Note: Schedule C-1 also must be filed with this return if compensation in excess of $15,000 was paid to any officer or employee.

SCHEDULE D—COST OF REPAIRS (See Instruction 17)

1. Items	2. Amount (Enter as Item 17)
Salaries and wages	$
Other costs	

SCHEDULE E—TAXES PAID (See Instruction 19)

1. Items	2. Amount (Enter as Item 19)
	$

SCHEDULE F—EXPLANATION OF DEDUCTION FOR LOSSES BY FIRE, STORM, ETC. (See Instruction 20)

1. Kind of Property	2. Date Acquired	3. Cost	4. Subsequent Improvements	5. Depreciation Allowable Since Acquisition	6. Insurance and Salvage Value	7. Deductible Loss (Enter as Item 20)
		$	$	$	$	$

State how property was acquired

SCHEDULE G—BAD DEBTS (See Instruction 21)

1. Year	2. Sales on Account	3. Bad Debts
1930	$	$
1931		
1932		
1933		
1934		

SCHEDULE H—INCOME FROM DIVIDENDS (See Instruction 12)

Itemize below all dividends received during the year, stating the amount and the name and address of the corporation which declared the dividend:

SCHEDULE I—EXPLANATION OF DEDUCTION FOR DEPRECIATION (See Instruction 23)

1. Kind of Property (If buildings, state material of which constructed)	2. Date Acquired	3. Cost or March 1, 1913 Value if Acquired Prior to That Date (Indicate basis)	4. Assets Fully Depreciated in Use at End of Year	5. Depreciation Allowed (or Allowable) in Prior Years	6. Remaining Cost or Other Basis to Be Recovered	7. Life Used in Accumulating Depreciation	8. Estimated Remaining Life from Beginning of Year	9. Depreciation Allowable This Year
		$	$	$	$			$

SCHEDULE J—INTEREST ON LIBERTY BONDS AND OTHER OBLIGATIONS OR SECURITIES (See Instruction 11)

1. Obligations or Securities	2. Amount Owned	3. Interest Received or Accrued	4. Principal Amount Exempt from Taxation	5. Amount Owned in Cases of Exemption	6. Interest on Amount in Cases of Exemption (Enter as Item 4)
(a) Obligations of a State, Territory, or political subdivision thereof, or the District of Columbia, or United States possessions	$	$	All	$	$
(b) Obligations issued under Federal Farm Loan Act, or under such Act as amended			All		
(c) Liberty 3½% Bonds and other obligations of United States issued on or before September 1, 1917			All		
(d) Treasury Notes, Treasury Bills, and Treasury Certificates of Indebtedness			All		
(e) Liberty 4% and 4¼% Bonds and Treasury Bonds			$5,000		
(f) Obligations of instrumentalities of the United States (other than obligations to be reported in line (b) above)			None		

AFFIDAVIT (See Instruction 50)

We, the undersigned, president (or vice president, or other principal officer) and treasurer (or assistant treasurer, or chief accounting officer) of the corporation for which this return is made, being severally duly sworn, each for himself deposes and says that this return (including its accompanying schedules and statements, if any) has been examined by him and is, to the best of his knowledge and belief, a true, correct, and complete return, made in good faith, for the taxable year stated, pursuant to the Revenue Act of 1934 and the Regulations issued thereunder.

Sworn to and subscribed before me this 15th day of June, 1935

NOTARIAL SEAL

Anita Parrett — Notary Public

(Signature of officer administering oath) (Title)

CORPORATE SEAL

Floyd Wright — President

(President or other principal officer) (State title)

G. Tillotson — Asst Secy

(Treasurer, Assistant Treasurer, or chief Accounting officer) (State title)

AFFIDAVIT (See Instruction 51)

I/we swear (or affirm) that I/we prepared this return for the person named herein and that the return (including its accompanying schedules and statements, if any) is a true, correct, and complete statement of all the information respecting the income tax and/or excess-profits tax liability of the person for whom this return has been prepared of which I/we have any knowledge.

Sworn to and subscribed before me this day of , 193 .

Affidavit attached.

(Signature of person preparing the return)

(Signature of person preparing the return)

NOTARIAL SEAL

(Signature of officer administering oath) (Title)

(Name of firm or employer, if any)

U. S. BOARD OF TAX APPEALS
DIV. 12 DOCKET 88104
ADMITTED IN EVIDENCE
JUN 27 1938
PETITIONER'S
RESPONDENT'S EXHIBIT 5

E-5

B96133

Ext. to 9/29/34.

ORIGINAL

Form 76
TREASURY DEPARTMENT
Internal Revenue Service
Revised June 1933

1934 RETURN
OF
CAPITAL-STOCK TAX
For Year Ending June 30, 1934

FOREIGN CORPORATIONS

(Sec. 701, Revenue Act of 1934, 73d Congress, Public, No. 216)

This return must be filed with the Collector of Internal Revenue for your district or Baltimore, Md., on or before July 31, 1934, and the tax must be paid on or before that date.

RECEIVED
SEP 28 1934
INT. REV.
LOS ANGELES, CAL.
(Collector's district and city or post office)

6th Cal.
(Collector district)
Assessment List, Form No. 26 A
(Month) (Year)
(Page) (Line)
Examined by
APR. 9 1935

PENDING

1. Name Motion Picture and Theatrical Industries, Limited. Supplemental Return
(Print name of corporation, joint-stock company, or association)
2. Address 1625 Board of Trade Bldg., Los Angeles, California.
(Give principal place of business in the United States)
3. Home office located at 6 Talbot House, 98 St. Martins Lane, County of London, England.
(Give street and number, city or town, and country)
4. Nature of business in detail Motion picture
5. Affiliated company or companies - -

EXEMPTION REJECTED

DECLARATION OF THE VALUE OF THE CAPITAL EMPLOYED IN THE TRANSACTION OF BUSINESS IN THE UNITED STATES

IMPORTANT.—Before declaring a value for the entire capital employed in the transaction of business in the United States, carefully read the instructions below, *as a value once declared cannot later be amended.*

If you file your income-tax return on a calendar year basis, or would do so if subject to income tax, declare in the space below a value for the entire capital employed in the transaction of business in the United States as of December 31, 1933, which you are willing to have accepted in this and subsequent years, as a basis, subject to statutory adjustments, on which to pay capital-stock tax and excess-profits tax.

If you file your income-tax return on a fiscal year basis, or would so file it, if subject to income tax, declare the value as of the close of such fiscal year.

If your corporation was organized during the year July 1, 1933, to June 30, 1934, both dates inclusive, and if neither the first calendar year nor the first fiscal year for income-tax purposes has ended during the year July 1, 1933, to June 30, 1934, both dates inclusive, declare the value as of the date of organization.

(See INSTRUCTION No. 1 for additional information) 1,121,[illegible]2.55

6. * VALUE OF THE ENTIRE CAPITAL EMPLOYED IN THE TRANSACTION OF BUSINESS IN THE UNITED STATES $ exemption claimed

*A specific and unqualified value must be shown in this space. If the capital employed in the United States has no value, insert the word "None."

(COMPONENTS OF DECLARED CAPITAL (See INSTRUCTION NO. 4)

7. The value declared under item 6 represents:
(a) Capital constantly in the United States $
(b) Portion of transitory capital allocated to United States business
Total (same as item 6)

COMPUTATION OF TAX	For Use of Taxpayer	For Use of Department
8. Amount shown in item 6		
9. Tax at the rate of $1 for each full $1,000 in item 8		
10. Penalty of 25 percent for delinquency in filing return	Exemption claimed - see affidavit	
11. Interest		
12. Total tax, penalty and interest		

STATE OF California
COUNTY OF Los Angeles } ss:

EXEMPTION REJECTED

I, the Loyd Wright (Agent, attorney, or other official capacity), of the United States branch of the above-named foreign corporation, for which this return for capital-stock tax imposed by section 701 of the Revenue Act of 1934, is made, being duly sworn, depose and say that the items entered in the foregoing report including any statement attached to or accompanying this return are, to my best knowledge and belief, and from such information as I have been able to obtain, true and correct in each and every particular.

Sworn to and subscribed before me this 26th day of September, 1934

Anita Barrett
(Official capacity)

(SEAL OF OFFICER TAKING AFFIDAVIT)

Motion Picture and Theatrical Industries, Ltd
By Loyd Wright
(Agent, attorney, or other official capacity)

(Name of officer or agent to whom correspondence should be addressed)

(1)

2—16400

AFFIDAVIT OF HERSCHEL B. GREEN IN RE APPLICATION FOR EXTENSION OF TIME TO FILE CAPITAL STOCK TAX RETURN FOR MOTION PICTURE & THEATRICAL INDUSTRIES, LTD.

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) ss.

HERSCHEL B. GREEN being first duly sworn deposes and says that he is an attorney duly licensed to practice in all the Courts of the State of California, and authorized to appear before the Treasurer's Department of the United States, pursuant to card of admission dated September 30, 1932; that he is associated with Loyd Wright in the general practice of law at 1125 Board of Trade Building, Los Angeles, California; that Motion Picture & Theatrical Industries, Ltd., a British Corporation, to the best of your affiant's information and belief has conducted no business to date in the United States; that said Corporation's only activities in the United States to date, to the best of your affiant's information and belief, consist of contracts with corporations producing motion pictures in the State of California, whereby said British corporation agreed to loan the services of an actor under contract with said British corporation to certain producers of motion pictures in the State of California, for the purpose of having said actor appear as such in certain motion pictures to be produced by said corporations producing pictures in the State of California; that in addition thereto, Loyd Wright, the duly authorized agent of said British corporation, in the United States, is negotiating with other motion picture

E-2

corporations in the State of California for contracts calling for the appearance of said actor in other motion pictures in the United States; that said negotiations are not yet completed and it is impossible at this time to determine what income said British corporation will receive by reason of its loaning the services of the actor under contract with it to said corporations producing pictures in the State of California; that your affiant is informed and believes that said negotiations will be completed prior to September 29, 1934. That neither your affiant, nor said corporation, has received a copy of the capital stock tax regulations for 1934, and it is impossible at this time to ascertain whether or not said British corporation will be subjected to said capital stock tax. It is further impossible for said British corporation, or your affiant, to ascertain the income to be received by said British corporation, which is a foreign corporation, from the United States in view of the fact that certain contracts which are now in the process of negotiation have not been signed; that your affiant is informed and believes that if an extension is granted said corporation to September 29, 1934, for the purpose of filing its capital stock tax return, that within said period it can be ascertained if said corporation is doing business in the United States, and if it is doing business in the United States, the amount of the capital stock tax it will be required to pay, under the 1934 capital stock tax act, and in view of the fact that the income of said corporation from the United States cannot, at this time be estimated, it is impossible

E-3

to place a fair and reasonable value on the capital of said corporation. That Loyd Wright, the agent and representative of said corporation in the United States is at the present time absent from the United States, and by reason of this fact, your affiant is compelled to make this affidavit on behalf of said Loyd Wright, and on behalf of said corporation, as the only representative of said corporation in the United States.

Your affiant respectfully requests that an extension be given said corporation for the filing of its capital stock tax return to and including September 29th, 1934.

SUBSCRIBED AND SWORN TO BEFORE ME, THIS 30th DAY OF AUGUST, 1934.

(Signed) Herschel B. Green

(Signed) Anita Garrett

Notary Public in and for the County of Los Angeles, State of California.

E 4

U. S. BOARD OF TAX APPEALS
DIV. 12 DOCKET 88104
ADMITTED IN EVIDENCE
JUN 27 1938
PETITIONER'S EXHIBIT 6
RESPONDENT'S

10

5711 - 3rd

RETURN FORM MARKED "DUPLICATE" MUST BE FILED WITH THIS ORIGINAL RETURN

Form 1120
TREASURY DEPARTMENT
INTERNAL REVENUE SERVICE

(Auditor's Stamp)

CORPORATION INCOME AND EXCESS-PROFITS TAX RETURN
For Calendar Year 1935

Page 1 of Return

or Fiscal Year begun, 1935, and ended, 1936

File Code 758

Serial Number 425321

District

(Collector's Stamp)

PRINT PLAINLY CORPORATION'S NAME AND BUSINESS ADDRESS

MOTION PICTURE & THEATRICAL INDUSTRIES LIMITED
(Name)

115 CHANCERY LANE
(Street and number)

LONDON ENGLAND
(Post office and state)

Cash Check M. O. Cert. of Ind

First Payment

$

It is Essential, Except Where Otherwise Provided in the Instructions, That This Form be Completely Filled In Irrespective of Any Statements, Schedules, or Reports Submitted Herewith

Date of Incorporation April 30, 1934

Under the Laws of what State or Country England

The Corporation's Books are in Care of Corporation Located at Above address

Kind of Business (in detail) Theatrical
(Also check industrial division on page 2)

Is This a Consolidated Return of Railroad Corporations? No If so, of How Many Corporations?

If a Foreign Corporation, State Whether Resident or Nonresident Nonresident; if Nonresident, State Amount of Income Excluded (Instruction 23) From Gross Income, $.....

Is the Corporation a Personal Holding Company Within the Meaning of Section 351 of the Revenue Act of 1934? No
(Answer "yes" or "no")

(If so, an additional return on Form 1120 H must be filed.)

ATTACH REMITTANCE HERE

Item and Instruction No.	GROSS INCOME								
1.	Gross Sales (where inventories are an income-determining factor), $; Less Returns and Allowances, $; Net Sales						$		
2.	Less Cost of Goods Sold:								
	(a) Inventory at beginning of year				$				
	(b) Material or merchandise bought for manufacture or sale								
	(c) Miscellaneous costs (From Schedule A, Column 1): (1) Salaries and wages, $; (2) Other costs, $; Total								
	(d) Total of lines (a), (b), and (c)				$				
	(e) Less inventory at end of year								
3.	Gross Profit from Sales (Item 1 minus Item 2)						$		
4.	Gross Receipts (where inventories are not an income-determining factor)				$	190	230	76	
5.	Less cost of operations (From Schedule A, Column 2): (a) Salaries and wages, $; (b) Other costs, $ Per schedule attached ; Total					46	612	23	
6.	Gross Profit where inventories are not an income-determining factor (Item 4 minus Item 5)							143	618 53
7.	Interest on Loans, Notes, Mortgages, Bonds, Bank Deposits, etc.								
8.	Rents								
9.	Royalties								
10.	Capital Gain or Loss (From Schedule D)								
11.	Interest on Liberty Bonds, etc. (From Schedule L, Lines 2 (a) (6) and (7))								
12.	Dividends on Stock of:								
	(a) Domestic Corporations subject to taxation under Title I of Revenue Act of 1934								
	(b) Domestic Corporations not subject to taxation under Title I of Revenue Act of 1934								
	(c) Foreign Corporations								
13.	Other Income (State nature of income) (Use separate schedule, if necessary)								
14.	TOTAL INCOME IN ITEMS 3, AND 6 TO 13, INCLUSIVE							$ 143	618 53
	DEDUCTIONS								
15.	Compensation of Officers (From Schedule C)						$		
16.	Rent on Business Property								
17.	Repairs (From Schedule D): (a) Salaries and Wages, $; (b) Other ; Total								
18.	Interest								
19.	Taxes (From Schedule E)								
20.	Losses by Fire, Storm, etc. (From Schedule F)								
21.	Bad Debts (From Schedule G); also bonds determined to be worthless during taxable year (Explain on separate sheet)								
22.	Dividends (Item 12 (c) above)								
23.	Depreciation (resulting from exhaustion, wear and tear, or obsolescence) (From Schedule I)								
24.	Depletion of Mines, Oil and Gas Wells, Timber, etc. (Submit schedule, see Instruction 24)								
25.	Other Deductions Authorized by Law (Explain below, or on separate sheet):								
	(a) Salaries and wages. (Not included in Items 2, 5, 15, or 17 above)								
	(b) Stock determined to be worthless during the taxable year								
	(c)								
26.	TOTAL DEDUCTIONS IN ITEMS 15 TO 25								
27.	NET INCOME (Item 14 minus Item 26)							$ 143	618 53

DUPLICATE FILED
RECEIVED
MAIL ROOM
JUN 12 1936
COLLECTOR OF INTERNAL REVENUE
DISTRICT OF MARYLAND

"VOTED"

73

COMPUTATION OF TAX

Item No.	INCOME TAX				EXCESS-PROFITS TAX*			
28.	Net Income (Item 27, above)	$	143	618 53	35. Net Income for Excess-profits Tax Computation (Item 28, above)	$	143	618 53
29.	Less Interest on Liberty Bonds, etc. (Item 11)							
30.	Balance subject to Income Tax (Item 28 minus Item 29)	$	143	618 53	M. Less: (a) $1,168,000 ...		140	112 50
31.	Income Tax (13½% of Item 30) (or 13¾% of Item 30, if this is a consolidated return of railroad corporations)	$	19	747 55	37. Amount subject to Excess-profits Tax (Item 35 minus Item 36)	$	None	
32.	Less: Income Tax Paid at Source. (This credit can be allowed only to a nonresident foreign corporation) $26,156 74				38. Excess-profits Tax (12½% of Item 37)	$	None	
33.	Income Tax Paid to a Foreign Country or U. S. Possession by a Domestic Corporation		26	156 74	NOTE.—Where an affiliated group ... common parent corporation ... Excess-profits Tax return must make a separate ... (see Instruction 30 and 41.)			
34.	OVERPAYMENT		6	409 19				

*Corporations having an income tax (fiscal) year ending after June 30, 1936, shall use Form 1121 in making Excess-profits Tax returns for such fiscal year.

2—19356

SCHEDULE K—BALANCE SHEETS (See Instruction 42)

Items	Beginning of Taxable Year		End of Taxable Year	
	Amount	Total	Amount	Total
ASSETS				
1. Cash:				
(a) Demand deposits, including checks	$		$	
(b) Time deposits, including certificates of deposit				
(c) All other cash		$		$
2. Notes receivable				
3. Accounts receivable	$		$	
(a) Less reserve for bad debts				
4. Inventories:				
(a) Raw materials	$		$	
(b) Work in process				
(c) Finished goods				
(d) Supplies				
5. Investments (nontaxable):				
(a) Obligations of a State, Territory, or political subdivision thereof, or the District of Columbia, or United States possessions	$		$	
(b) Obligations issued under Federal Farm Loan Act, or under such Act as amended				
(c) Liberty 3½% Bonds and other obligations of United States issued on or before September 1, 1917				
(d) Treasury Notes, Treasury Bills, and Treasury Certificates of Indebtedness				
(e) Liberty 4% and 4¼% Bonds, United States Savings Bonds, and Treasury Bonds				
(f) Obligations of instrumentalities of the United States (other than obligations to be reported in line (b) above)				
6. Other investments:				
(a) Stocks of domestic corporations	$		$	
(b) Bonds of domestic corporations				
(c) Stocks and bonds of foreign corporations				
(d) All other investments or loans				
7. Deferred charges:				
(a) Prepaid insurance	$		$	
(b) Prepaid taxes				
(c) All other				
8. Capital assets:				
(a) Buildings	$		$	
(b) Machinery and equipment				
(c) Furniture and fixtures				
(d) Delivery equipment				
(e) Other depreciable assets				
(f) Total of Lines (a) to (e)	$		$	
(g) Less reserves for depreciation				
(h) Depletable assets	$		$	
(i) Less reserves for depletion				
(j) Land				
9. Patents				
10. Good will				
11. Other assets (describe fully):	$		$	
12. Total Assets		$		$
LIABILITIES				
13. Notes payable (less than 1 year)		$		$
14. Accounts payable				
15. Bonds and notes (not secured by mortgage)				
16. Mortgages (including bonds and notes so secured)				
17. Accrued expenses:				
(a) Interest	$		$	
(b) Taxes				
(c) All other				
18. Other liabilities (describe fully):	$		$	
19. Capital stock:				
(a) Preferred stock (less stock in treasury)	$		$	
(b) Common stock (less stock in treasury)				
20. Surplus	$		$	
21. Undivided profits				
22. Total Liabilities		$		$

Remarks: Information for the preparation of the balance sheet was not available at the date of the preparation of this return

L-2

SCHEDULE L—RECONCILIATION OF NET INCOME AND ANALYSIS OF CHANGES IN SURPLUS

1. **Net income subject to taxation (Item 30, page 1 of return)**
2. **Nontaxable income:**
 - **(a) Interest on:**
 - (1) **Obligations of a State, Territory, or political subdivision thereof, or the District of Columbia, or United States possessions**
 - (2) **Obligations issued under Federal Farm Loan Act, or under such Act as amended**
 - (3) **Liberty 3½% Bonds and other obligations of United States issued on or before September 1, 1917**
 - (4) **Treasury Notes, Treasury Bills, and Treasury Certificates of Indebtedness**
 - (5) **Liberty 4% and 4¼% Bonds, United States Savings Bonds, and Treasury Bonds owned in the principal amount of $5,000 and under**
 - (6) **Liberty 4% and 4¼% Bonds, United States Savings Bonds, and Treasury Bonds owned in the principal amount of over $5,000**
 - (7) **Obligations of instrumentalities of the United States (other than those to be reported in Line 2 (a) (2) above)**
 - **(b) Dividends deductible under Section 28 (p) of the Revenue Act of 1934**
 - **(c) Proceeds of life insurance policies paid upon the death of the insured**
 - **(d) Other items of nontaxable income (to be detailed):**
 - (1)
 - (2)
3. **Charges against reserve for bad debts, if Item 21, page 1 of return, is not an addition to a reserve**
4. **Charges against reserves for contingencies, etc. (to be detailed):**
 - **(a)**
 - **(b)**
5. **Total of Lines 1 to 4, inclusive**
6. **Total from Line 14**
7. **Net profit or loss for year, as shown by books, before any adjustments are made therein (Line 5 minus Line 6) (if loss, indicate)**
8. **Surplus and undivided profits as shown by balance sheet at close of preceding taxable year**
9. **Other credits to surplus (to be detailed):**
 - **(a)**
 - **(b)**
10. **Total of Lines 7 to 9, inclusive**
11. **Total from Line 17**
12. **Surplus and undivided profits as shown by balance sheet at close of taxable year (Line 10 minus Line 11)**

13. **Unallowable deductions**
 - **(a) Donations, gratuities, and contributions**
 - **(b) Income and profits taxes paid to the United States, and such taxes paid to its possessions or foreign countries if claimed as a credit in whole or in part in Item 23, page 1 of the return**
 - **(c) Federal taxes paid on tax-free covenant bonds**
 - **(d) Special improvement taxes tending to increase the value of the property assessed**
 - **(e) Furniture and fixture additions, or betterments treated as expenses on the books**
 - **(f) Replacements and renewals**
 - **(g) Insurance premiums paid on the life of any officer or employee where the corporation is directly or indirectly a beneficiary**
 - **(h) Interest on indebtedness incurred or continued to purchase or carry obligations (other than obligations of the United States issued after September 24, 1917, and originally subscribed for by the taxpayer) the interest upon which is wholly exempt from taxation**
 - **(i) Additions to reserve for bad debts which are not included in Item 21, page 1 of return**
 - **(j) Additions to reserves for contingencies, etc. (to be detailed)**
 - (1)
 - (2)
 - (3)
 - **(k) Other unallowable deductions (to be detailed)**
 - (1)
 - (2)
 - (3)
14. **Total of Line 13**
15. **Dividends paid during the taxable year (state whether paid in cash, stock of the corporation, or other property):**
 - **(a) Date paid Character**
 - **(b) Date paid Character**
 - **(c) Date paid Character**
 - **(d) Date paid Character**
16. **Other debits to surplus (to be detailed)**
 - **(a)**
 - **(b)**
 - **(c)**
17. **Total of Lines 13 and 16**

NATURE OF BUSINESS

1. **Check the block to indicate the industrial division in which the corporation's main business producing business falls:**

MANUFACTURING

Food and kindred products:

- ☐ **Bakery and confectionery products.**
- ☐ **Canned products—fish, fruit, vegetables, etc.**
- ☐ **Mill products—bran, flour, feed.**
- ☐ **Packing-house products—meats, lard; slaughtering.**
- ☐ **Sugar—beet, cane, maple; molasses, etc.**
- ☐ **Other food products—butter substitutes, cereals, coffee, spices, dairy products; ice, etc**
- ☐ **Beverages, soft drinks, mineral water.**
- ☐ **Brewing and distilling—alcohol, liquors, beer, malt extract, wines.**
- ☐ **Tobacco products.**

Textiles:

- ☐ **Cotton goods—dress goods, etc.; napping, dyeing.**
- ☐ **Woolen and worsted goods—dress goods, etc.; wool pulling, scouring.**
- ☐ **Silk and rayon goods—dress goods, thrown silk, etc.; spinning, warping.**
- ☐ **Carpets, floor coverings, tapestries, linoleum.**
- ☐ **Other textiles—cord, felt, fur, linen, artificial leather, surgical textiles, etc.**
- ☐ **Clothing—custom-made, factory-made, underwear, millinery, etc.**
- ☐ **Knit goods—sweaters, hosiery, etc.**
- ☐ **Leather boots, shoes, slippers, etc.**
- ☐ **Other leather products—saddlery, harness, trunks; finishing, tanning.**
- ☐ **Rubber tires and tubes.**
- ☐ **Other rubber goods—boots, shoes, hose, artificial rubber.**
- ☐ **Bone, celluloid and ivory products.**
- ☐ **Sawmill and planing mill products.**
- ☐ **Furniture (not metal).**
- ☐ **Other wood products—carriages, wagons, baskets, etc.**
- ☐ **Paper, pulp and products.**
- ☐ **Printing, publishing, and allied industries.**
- ☐ **Petroleum and other mineral oil refining and products.**
- ☐ **Chemicals proper, acids, compounds, coal tar products, etc.**
- ☐ **Allied chemical substances, drugs, oils, soaps, etc.**
- ☐ **Paints, pigments, varnishes, etc.**
- ☐ **Fertilizers.**
- ☐ **Stone, clay, glass, and related products.**

Metal products and processes:

- ☐ **Iron and steel—products of blast furnaces, rolling mills, foundries.**
- ☐ **Locomotives and railroad equipment.**
- ☐ **Motor vehicles, complete or parts.**

MANUFACTURING—(Continued)

Metal products and processes—(Continued)

- ☐ **Machinery—factory, used in producing food, leather, metal, paper, printing, rubber, stone, clay, glass, textile and wood products.**
- ☐ **Machinery—agricultural and equipment.**
- ☐ **Machinery—electrical and equipment.**
- ☐ **Machinery—other, building, construction, gas and mining machinery and equipment.**
- ☐ **Household equipment—metal furniture, refrigerators, sewing machines, etc.**
- ☐ **Office equipment.**
- ☐ **Metal building material and equipment.**
- ☐ **Hardware, tools, etc.**
- ☐ **Precious metal, products and processes.**
- ☐ **Other metals, products and processes.**

Miscellaneous manufacturing:

- ☐ **Radios, complete or parts.**
- ☐ **Musical, professional, and scientific instruments; optical goods, small boats.**
- ☐ **Airplanes, airships, seaplanes; parts.**

NONMANUFACTURING

Trade:

- ☐ **Wholesale.**
- ☐ **Retail.**
- ☐ **Wholesale and retail.**
- ☐ **Commission.**
- ☐ **Other trade—repair service, garages, etc.**

Finance:

- ☐ **Banks—national, State, private, savings, joint-stock land banks.**
- ☐ **Stock and bond brokers, investment bankers or brokers.**
- ☐ **Real estate, realty holding, real estate agents.**
- ☐ **Insurance companies (not agents).**
- ☐ **Investment trusts, stock syndicates, stock holding companies.**
- ☐ **Other finance—loan companies, building and loan associations, note, mortgage or pawn brokers, insurance agents.**
- ☐ **Agriculture and related industries, including fishing, forestry, ice-harvesting, leasing such properties.**
- ☐ **Mining and quarrying, including gas and oil wells, leasing such properties.**
- ☐ **Construction—excavations, bridges, buildings, railroads, ships, equipping and installing systems.**
- ☐ **Transportation—rail, water, aerial, motor, etc., leasing such facilities.**
- ☐ **Storage—cold storage, grain elevators, warehouses, safe-deposit vaults, etc.**
- ☐ **Public utilities—electric light or power, gas (artificial or natural), pipe lines (steam), telephone, radio, water-works, canals, toll bridges, etc.; leasing such utilities.**
- ☐ **Service—professional, business, amusement, domestic, and all other.**

AFFILIATIONS WITH OTHER CORPORATIONS (See Instruction 38)

2. Is this a consolidated return? If so, procure from the collector of internal revenue for your district Form 851, Affiliations Schedule, which shall be filled in, sworn to, and filed as a part of this return.

3. Was the income of this corporation included in a consolidated return for the year 1937? If so, give name of corporation which filed the consolidated return.

PREDECESSOR BUSINESS

4. Did the corporation file a return under the same name for the preceding taxable year? Yes. Was the corporation in any way an outgrowth, result, continuation, or reorganization of a business or businesses in existence during this or any prior year since December 31, 1917? No. If answer is "yes", give name and address of each predecessor business, and the date of the change in entity.

Upon such change were any asset values increased or decreased?
If the answer is "yes", closing balance sheets of old business and opening balance sheets of new business must be furnished.

BASIS OF RETURN

5. Is this return made on the basis of cash receipts and disbursements? Yes

If not, describe fully what other basis or method was used in computing net income.

VALUATION OF INVENTORIES

6. State whether the inventories at the beginning and end of the taxable year were valued at cost, or cost or market, whichever is lower. If other basis was used, describe fully, state why used and the date inventory was last reconciled with stock. None

PREPARATION OF RETURN (See Instruction 47)

7. Did any person or persons advise the corporation in respect of any question or matter affecting any item or schedule of this return, or assist or advise the corporation in the preparation of this return, or actually prepare this return for the corporation? Yes. If so, give the name and address of such person or persons and state the nature and extent of the assistance or advice rendered and the items and schedules in respect of which the assistance or advice was rendered. If this return was actually prepared by any person or persons other than the corporation, state the source of the information reported in this return and the manner in which data was furnished to such person or persons.

Lyman, Velsnick & Co., Inc. Affidavit attached

INFORMATION RETURN

8. Did the corporation make a return of information on Forms 1096 and 1099 (see Instruction 50) for the calendar year 1937? Yes.

LIST OF ATTACHED SCHEDULES

9. Enter below a list of all schedules accompanying this return, giving for each a brief title and the schedule number. The name and address of the person or persons to be placed on each separate schedule accompanying the return.

Affidavit of Harold L. Collins
Statement of Income and Expenses

SCHEDULE A (See Instructions 2 and 5)

1. COST OF SALES (WHERE INVENTORIES ARE AN INCOME-DETERMINING FACTOR)		2. COST OF OPERATIONS (WHERE INVENTORIES ARE NOT AN INCOME-DETERMINING FACTOR)	
ITEMS	AMOUNT (Enter as Item 2 (c))	ITEMS	AMOUNT (Enter as Item 6)
Salaries and wages	$	Salaries and wages	$
Other costs		Other costs	

SCHEDULE B—CAPITAL GAINS AND LOSSES (FROM SALES OR EXCHANGES ONLY) (See Instruction 10)

1. DESCRIPTION OF PROPERTY	2. DATE ACQUIRED Mo. Day Year	3. DATE SOLD Mo. Day Year	4. GROSS SALES PRICE (Contract price)	5. COST	6. MARCH 1, 1913, VALUE IF ACQUIRED BEFORE THAT DATE	7. COST OF IMPROVEMENTS AFTER ACQUISITION OR MARCH 1, 1913	8. DEPRECIATION ALLOWED (OR ALLOWABLE) SINCE ACQUISITION OR MARCH 1, 1913 (Furnish details)	9. GAIN OR LOSS
			$	$	$	$	$	$

GAIN OR LOSS (enter net amount as Item 10) (capital losses are allowable only to the extent of $2,000 plus capital gains) $

State (1) how property was acquired; (2) whether at time of sale or exchange purchaser owned more than 50% in value of your outstanding stock

Every sale or exchange of stock should be reported in detail, including name and address of corporation, class of stock, number of shares, capital changes affecting basis (stock dividends, other nontaxable dividends, stock rights, etc.).

Cost of property must be entered in column 5 if a loss is claimed in column 9.

SCHEDULE C—COMPENSATION OF OFFICERS (See Instruction 15)

1. NAME AND ADDRESS OF OFFICER	2. OFFICIAL TITLE	3. TIME DEVOTED TO BUSINESS	SHARES OF STOCK OWNED		6. AMOUNT OF COMPENSATION (Enter as Item 12)
			4. Common	5. Preferred	
					$

NOTE: Schedule C-1 IN DUPLICATE also must be filed with this return if compensation in excess of $15,000 was paid to any officer or employee.

SCHEDULE D—COST OF REPAIRS (See Instruction 17)

1. ITEMS	2. AMOUNT (Enter as Item 17)
Salaries and wages	$
Other costs	

SCHEDULE E—TAXES PAID (See Instruction 19)

1. ITEMS	2. AMOUNT (Enter as Item 19)
	$

SCHEDULE F—EXPLANATION OF DEDUCTION FOR LOSSES BY FIRE, STORM, ETC. (See Instruction 20)

1. KIND OF PROPERTY	2. DATE ACQUIRED	3. COST	4. SUBSEQUENT IMPROVEMENTS	5. DEPRECIATION ALLOWABLE SINCE ACQUISITION	6. INSURANCE AND SALVAGE VALUE	7. DEDUCTIBLE LOSS (Enter as Item 22)
		$	$	$	$	$

State how property was acquired

SCHEDULE G—BAD DEBTS (See Instruction 21)

1. YEAR	2. NET INCOME	3. SALES ON ACCOUNT	4. BAD DEBTS
1931	$	$	$
1932			
1933			
1934			
1935			

SCHEDULE H—INCOME FROM DIVIDENDS (See Instruction 12)

Itemize below all dividends received during the year, stating the amount and the name and address of the corporation which declared the dividend:

SCHEDULE I—EXPLANATION OF DEDUCTION FOR DEPRECIATION (See Instruction 23)

1. KIND OF PROPERTY (If buildings, state material of which constructed)	2. DATE ACQUIRED	3. COST OR MARCH 1, 1913 VALUE IF ACQUIRED PRIOR TO THAT DATE (Indicate basis)	4. ASSETS FULLY DEPRECIATED IN USE AT END OF YEAR	5. DEPRECIATION ALLOWED (OR ALLOWABLE) IN PRIOR YEARS	6. REMAINING COST OR OTHER BASIS TO BE RECOVERED	7. LIFE USED IN ACCUMULATING DEPRECIATION	8. ESTIMATED REMAINING LIFE FROM BEGINNING OF YEAR	9. DEPRECIATION ALLOWABLE THIS YEAR
		$	$	$	$			$

AFFIDAVIT (See Instruction 46)

We, the undersigned, president (or vice president, or other principal officer) and treasurer (or assistant treasurer, or chief accounting officer) of the corporation for which this return is made, being severally duly sworn, each for himself deposes and says that this return (including its accompanying schedules and statements, if any) has been examined by him and is, to the best of his knowledge and belief, a true, correct, and complete return, made in good faith, for the taxable year stated, pursuant to the Revenue Act of 1934 and the Regulations issued thereunder.

Sworn to and subscribed before me this 10th day of June, 1936.

NOTARIAL SEAL

Anita Barrett Notary Public
(Signature of officer administering oath) (Title)

CORPORATE SEAL

J. Boyden Wright, agent.
(President or other principal officer) (State title)

(Treasurer, Assistant Treasurer, or Chief Accounting Officer) (State title)

AFFIDAVIT (See Instruction 47)

I/we swear (or affirm) that I/we prepared this return for the person named herein and that the return (including its accompanying schedules and statements, if any) is a true, correct, and complete statement of all the information respecting the income tax and/or excess-profits tax liability of the person for whom this return has been prepared of which I/we have any knowledge.

Sworn to and subscribed before me this day of, 193 .

Affidavit attached
(Signature of person preparing the return)

NOTARIAL SEAL

(Signature of person preparing the return)

(Signature of officer administering oath) (Title)

(Name of firm or employer, if any)

I, HAROLD R. WILLIAMS, acting on behalf of Myron Selznick & Company, Inc., 9460 Wilshire Boulevard, Beverly Hills, California as advisor for Motion Picture & Theatrical Industries Limited, affirm that, pursuant to instructions received from Mr. Loyd Wright, 111 West Seventh Street Los Angeles, California, United States attorney for Motion Picture & Theatrical Industries Limited, I have prepared the attached return covering the calendar year 1935 showing a net income of $143,618.53 and a tax liability of $19,747.55 on the basis of information furnished by Mr. Loyd Wright without independent verification by me; that the information set out in the return and accompanying schedules correctly and fairly reflects information furnished to or discovered by me during the course of the preparation of the return and that the said information is true, to the best of my information and belief.

Harold R. Williams

Subscribed and sworn to

before me this 10th

day of June 1936

[illegible]

NOTARY

County of [illegible]

Expires [illegible]

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MOTION PICTURE & THEATRICAL INDUSTRIES LIMITED

1935 FEDERAL INCOME AND EXCESS-PROFITS TAX RETURN.

STATEMENT OF INCOME AND EXPENSE

INCOME:		
Paramount Productions, Inc.	$ 6,000.00	
20th Century Fox Film Corporation	65,000.00	
Metro-Goldwyn-Mayer Studios	119,230.76	
		$190,230.76
EXPENSES:		
Salaries paid	$ 22,419.09	
Agents' commissions	19,921.23	
Legal fees and expenses	3,103.32	
Audit fees	40.00	
Advertising	777.50	
Miscellaneous	51.09	[illegible]
NET INCOME FROM SOURCES WITHIN THE UNITED STATES		[illegible]

SCHEDULE OF TAX WITHHELD

Paramount Productions, Inc.	[illegible]
20th Century-Fox Film Corporation	[illegible]
Metro-Goldwyn-Mayer Studios	[illegible]
TOTAL	[illegible]

Letters of confirmation attached

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Twentieth Century-Fox Film Corporation

STUDIOS
BEVERLY HILLS, CALIFORNIA

June 8, 1936.

Mr. Charles Laughton,
% Motion Picture & Threatrical
Industries, Ltd.,
8152 Sunset Boulevard,
Hollywood, California.

Dear Sir: Re: Income Tax Withheld
Calendar Year 1936

This is to advise you that we have reported to the Collector of Internal Revenue for the Los Angeles District, total salary payments of $65,000.00 for the calendar Year 1935.

We have also reported Alien Income Tax Withheld on such salary in the amount of $8,937.50, which sum has since been paid to the Collector of Internal Revenue on your account.

Yours very truly,

TWENTIETH CENTURY-FOX FILM CORP.

By: L.J.Purcell
L.J.Purcell, Auditor.

LJP:f

F-1

METRO-GOLDWYN-MAYER CORPORATION

STUDIOS
CULVER CITY

June 8, 1936.

Collector of Internal Revenue
939 So. Broadway
Los Angeles, Calif.

Gentlemen:

This is to advise you that during the calendar year, 1935, we paid to the Motion Picture and Theatrical Industries, Ltd. for the services of Charles Laughton, the sum of $119,270.76 in accordance with the Revenue Act of 1934, withheld 13 3/4 percent, or $16,394.24.

Yours truly,

METRO-GOLDWYN-MAYER CORPORATION

BY _____
Asst. Auditor.

JWF:lh

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NO AGREEMENT OR ORDER WILL BE BINDING ON THIS CORPORATION UNLESS IN WRITING AND SIGNED BY AN OFFICER

PARAMOUNT PRODUCTIONS, INC.
PRODUCER OF
Paramount Pictures
5451 MARATHON ST. HOLLYWOOD, CALIF.
TELEPHONE HOLLYWOOD 2411
CABLE ADDRESS "FAMFILM"

OFFICE OF
A. C. MARTIN
COMPTROLLER

June 5, 1936

Collector of Internal Revenue,
939 South Broadway,
Los Angeles, Calif.

Dear Sir:

This is to certify that during the year 1935 we paid to the Motion Picture and Theatrical Industries, Ltd., for the services of Charles Laughton, the total sum of Six Thousand and no/100 ($6000.00) Dollars.

In accordance with the laws and regulations pertaining thereto, we have withheld thirteen and three-fourths (13¾%) per cent of the above amount, to wit: Eight Hundred Twenty-five and no/100 ($825.00) Dollars, which we guarantee will be paid to the United States Government pursuant to the Revenue Act of 1934.

Yours very truly,

PARAMOUNT PRODUCTIONS, INC.

COMPTROLLER

G.

U. S. BOARD OF TAX APPEALS
DIV. 12 DOCKET 88104
ADMITTED IN EVIDENCE
JUN 27 1938
PETITIONER'S
RESPONDENT'S EXHIBIT 7

5.16133

6th ORIGINAL C...

Form 706
TREASURY DEPARTMENT
Internal Revenue Service
Revised May 1935

RECEIVED
JUL 25 1935
COLL. INT. REV.
LOS ANGELES, CAL.

(To be stamped by Collector, showing District and date received)

1935 RETURN
OF
CAPITAL-STOCK TAX
For Year Ending June 30, 1935

FOREIGN CORPORATIONS

(Sec. 701, Revenue Act of 1934, 73d Congress, Public, No. 216)

This return must be filed with the Collector of Internal Revenue for your district or Baltimore, Md., on or before July 31, 1935, and the tax must be paid on or before that date.

6th C...
(Collection district)
Assessment List, Form No. 99 A

.....
(Month) (Year)

(Page) (Line)
Examined by: MER

1. Name Motion Picture and Tneatrical Industries, Limited
(Print name of corporation, joint-stock company, or association)
2. Address 1125 Board of Trade Bldg., Los Angeles, Calif.
(Give principal place of business in the United States)
3. Home office located at 6 Talbot House, 98 St. Martins Lane, County of Lonuon, England
(Give street and number, city or town, and country)
4. Nature of business in detail Motion Picture
5. Was a capital-stock tax return filed for the preceding taxable year ended June 30, 1934? If filed under a different name, state the name District filed
6. Date of close of last income-tax taxable year ended on or prior to June 30, 1935, or, if newly organized corporation having no income-tax taxable year ended on or prior to June 30, 1935, date of organization
7. Affiliated companies (domestic or foreign) employing capital in the United States

Corporations making an *original declaration of value upon this return* must enter the amount of such declared value in item 8.

8. **ORIGINAL DECLARED VALUE OF ENTIRE CAPITAL EMPLOYED IN THE TRANSACTION OF BUSINESS IN THE UNITED STATES AS OF** Exemption claimed

Corporations which established their original declared value by the return for the year ended June 30, 1934, must adjust such declared value on page 2 of this return and enter the amount of the adjusted declared value in item 9 (See instructions.)

9. **ADJUSTED DECLARED VALUE OF ENTIRE CAPITAL EMPLOYED IN THE TRANSACTION OF BUSINESS IN THE UNITED STATES AS OF**

Corporations claiming exemption from the tax must indicate the basis of the claim by a check in the appropriate block under item 10 and must furnish the information specifically requested thereunder.

10. ☐ Corporation enumerated in section 101, Revenue Act of 1934. (1) State under which subsection exempt (2) Furnish information requested under instructions 14.
☐ Insurance company subject to tax under section 201, 204, or 207, Revenue Act of 1934. State which section
☒ Corporation not doing business in the United States. (1) Furnish information requested under instructions 17. (2) See instructions 18 with respect to making or adjusting a declaration of value for capital employed in the transaction of business in the United States.

COMPUTATION OF TAX	FOR USE OF TAXPAYER	FOR USE OF DEPARTMENT
11. Amount entered in item 8 or item 9	$	$
12. Tax at rate of $1 for each full $1,000 in item 11 (omit cents)	Exemption claimed - See affidavit	x x
13. Penalty of 25 percent for delinquency in filing return		
14. Interest		
15. TOTAL TAX, PENALTY, AND INTEREST	$	$

I, Loyd Wright (Name of official or agent), Attorney (Title), of the above-named foreign corporation, for which this return for capital-stock tax imposed by section 701 of the Revenue Act of 1934 and the Regulations issued thereunder is made, being duly sworn, depose and say that the items entered in the foregoing report, including any statement attached to or accompanying this return, are, to my best knowledge and belief, and from such information as I have been able to obtain, true and correct in each and every particular.

Sworn to and subscribed before me this 23rd day of July, 1935

Anita Barrett
(Name)

Attorney in Fact
(Official capacity of officer administering oath)

NOTARY PUBLIC
In and for the County of Los Angeles, State of California

[SEAL OF OFFICER TAKING AFFIDAVIT]

MOTION PICTURE AND THEATRICAL INDUSTRIES, LIMITED
(Name)

By Loyd Wright, Attorney-in-fact
(Title)

(Name and address of officer or agent to whom correspondence should be forwarded)

STATE OF CALIFORNIA)
) ss:
COUNTY OF LOS ANGELES)

LOYD WRIGHT, being first duly sworn, deposes and says:

That Motion Picture and Theatrical Industries, Limited, is a British corporation organized and existing under and by virtue of the laws of Great Britain; that said corporation, during the taxable year in question, engaged in no activities in the United States whatsoever other than the loaning of the services of Charles Laughton, an actor under contract with this corporation, to certain motion picture producers in the United States, for whose services this corporation received the sum of $238,370.18, which is the entire income received by this corporation from sources within the United States during said taxable period; that of said sum so received said corporation paid Frank Joyce-Myron Selznick-Ltd., agents, $23,837.13, or an equivalent to ten per cent of the gross income, $32,306.22, to Charles Laughton as compensation and living expenses; that out of said sum of $238,370.18 there was deducted the sum of $32,774.46, which sum amounts to the tax paid at source on said income; that in addition to the foregoing, said corporation paid out $6,312.44 in miscellaneous expenses; that the total payments and disbursements made by said corporation were $95,230.27,

9.2

which left a net income to said corporation of $143,139.91; that of the sum of $32,306.32 paid to Charles Laughton there was deducted and withheld therefrom the sum of $1,292.27, or four per cent of the income received by the said Charles Laughton pursuant to the Revenue Act of 1934; that the said Charles Laughton is a subject of Great Britain; that your affiant is the duly authorized agent and representative of Motion Picture and Theatrical Industries, Limited, in the United States of America; that exemption is claimed from any capital stock tax for the year ending June 30, 1935, for the reason that said corporation is not and did not engage in business in the United States during said taxable year; that said corporation, because of the foregoing facts, does not believe it is required to declare an original declared value of its capital stock, for the reason that exemption is claimed from said capital stock tax, and should said corporation be compelled to declare a value upon its capital stock in order to conform to the capital stock tax law, it is the present intention of said corporation to declare none. This declaration is not made for the purpose of placing a valuation on this corporation's capital stock, but is made merely to conform to the capital stock tax act in the event this corporation should be required by law to make a declaration of the value of its capital stock, and this corporation here-

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by reserves the right to change or adjust said declared value at any time in the event it is required to declare the value of its capital stock.

(Signed) Loyd Wright

Subscribed and sworn to before
me this 23rd day of July, 1935.

(Signed) Anita Garrett
Notary Public in and for the
County of Los Angeles,
State of California.

9-4



4-4

RETURN TO: Commissioner of Internal Revenue, Washington, D. C.

MT:CST:2MH
516133

ORIGINAL

EXAMINED

(To be stamped by Collector showing District and date received)

1934 RETURN
OF
CAPITAL-STOCK TAX
For Year Ending June 30, 1934

FOREIGN CORPORATIONS

(Sec. 701, Revenue Act of 1934, 73d Congress, Public, No. 216)

This return must be filed with the Collector of Internal Revenue for your district or Baltimore, Md., on or before July 31, 1934, and the tax must be paid on or before that date.

(Collection district)

Assessment List, Form No. 23 A

(Page) (Line) (Year)

Examined by:

1. Name MOTION PICTURE & THEATRICAL INDUSTRIES, LTD.
(Print name of corporation, joint-stock company, or association)
2. Address c/o Loyd Wright - 111 West 7th Street, Los Angeles, California
(Give principal place of business in the United States)
3. Home office located at 6 Talbot House - 98 St. Martin's Lane, London, England
(Give street and number, city or town, and country)
4. Nature of business in detail Theatrical
5. Affiliated company or companies

DECLARATION OF THE VALUE OF THE CAPITAL EMPLOYED IN THE TRANSACTION OF BUSINESS IN THE UNITED STATES

IMPORTANT.—Before declaring a value for the entire capital employed in the transaction of business in the United States, carefully read the instructions below, *as a value once declared cannot later be amended.*

If you file your income-tax return on a calendar year basis, or would do so if subject to income tax, declare in the space below a value for the entire capital employed in the transaction of business in the United States as of December 31, 1933, which you are willing to have accepted in this and subsequent years, as a basis, subject to statutory adjustments, on which to pay capital-stock tax and excess-profits tax.

If you file your income-tax return on a fiscal year basis, or would so file it, if subject to income tax, declare the value as of the close of such fiscal year.

If your corporation was organized during the year July 1, 1933, to June 30, 1934, both dates inclusive, and if neither the first calendar year nor the first fiscal year for income-tax purposes has ended during the year July 1, 1933, to June 30, 1934, both dates inclusive, declare the value as of the date of organization. Date of Incorporation April 4, 1934
(See INSTRUCTION No. 2 for additional information)

6. * VALUE OF THE ENTIRE CAPITAL EMPLOYED IN THE TRANSACTION OF BUSINESS IN THE UNITED STATES $ 1 | 121 | 502 | 55

*A specific and unqualified value must be shown in this space. If the capital employed in the United States has no value, insert the word "None."

(COMPONENTS OF DECLARED CAPITAL (See INSTRUCTION NO. 4)

7. The value declared under item 6 represents:
(a) Capital constantly in the United States $ 1,121,502.55
(b) Portion of transitory capital allocated to United States business
Total (same as item 6) $

COMPUTATION OF TAX	For Use of Taxpayer	For Use of Department
8. Amount shown in item 6	$ 1 121 502 55	$
9. Tax at the rate of $1 for each full $1,000 in item 8	1 121 00	
10. Penalty of 25 percent for delinquency in filing return		
11. Interest 12% per annum 9/29/34 to 8/31/35 / 6% per annum 9/1/35 to 3/31/36	123 31 / 39 24	
12. Total tax, penalty and interest	1 283 55	

STATE OF
COUNTY OF } ss:

I, the (Agent, attorney, or other official capacity), of the United States branch of the above-named foreign corporation, for which this return for capital-stock tax imposed by section 701 of the Revenue Act of 1934, is made, being duly sworn, depose and say that the items entered in the foregoing report including any statement attached to or accompanying this return are, to my best knowledge and belief, and from such information as I have been able to obtain, true and correct in each and every particular.

Sworn to and subscribed before me this 26th day of March, 1936.

Anita Garrett
NOTARY PUBLIC
(Official capacity) In and for the County of Los Angeles, State of California

[SEAL OF OFFICER TAKING AFFIDAVIT]

MOTION PICTURE & THEATRICAL INDUSTRIES, LTD.
By Loyd Wright Agent
(Agent, attorney, or other official capacity)

(Name of officer or agent to whom correspondence should be addressed)

2—16406

516133

MT:CST:WER
516133

ORIGINAL

TREASURY DEPARTMENT
INTERNAL REVENUE SERVICE
BUREAU OF INTERNATIONAL REVENUE
MAILING UNIT
1936 MAR 30 AM 11 17

EXEMPTION DENIED

(To be stamped by Collector, showing District and date received)

1935 RETURN
OF
CAPITAL-STOCK TAX
For Year Ending June 30, 1935

FOREIGN CORPORATIONS
(Sec. 701, Revenue Act of 1934, 73d Congress, Public, No. 216)

This return must be filed with the Collector of Internal Revenue for your district or Baltimore, Md., on or before July 31, 1935, and the tax must be paid on or before that date.

CLOSED

6 - Calif
(Collection district)
Assessment List, Form No. 33 A

(Month) (Year)

(Page) (Line)

Examined by:

CCO. JUL 31 1936
JUL 31 1936
FILED IN THIS OFFICE

1. Name MOTION PICTURE & THEATRICAL INDUSTRIES, LTD.
(Print name of corporation, joint-stock company, or association)
2. Address c/o Loyd Wright, 111 West 7th Street, Los Angeles, California
(Give principal place of business in the United States)
3. Home office located at 6 Talbot House - 98 St. Martin's Lane, London, England
(Give street and number, city or town, and country)
4. Nature of business in detail Theatrical
5. Was a capital-stock tax return filed for the preceding taxable year ended June 30, 1934? Yes. If filed under a different name state the name District filed Washington D. C.
6. Date of close of last income-tax taxable year ended on or prior to June 30, 1935, or, if newly organized corporation having no income-tax taxable year ended on or prior to June 30, 1935, date of organization December 31, 1934
7. Affiliated companies (domestic or foreign) employing capital in the United States

Corporations making an *original declaration of value upon this return* must enter the amount of such declared value in item 8.

8. ORIGINAL DECLARED VALUE OF ENTIRE CAPITAL EMPLOYED IN THE TRANSACTION OF BUSINESS IN THE UNITED STATES AS OF $.....

Corporations which established their original declared value by the return for the year ended June 30, 1934, must adjust such declared value on page 2 of this return and enter the amount of the adjusted declared value in item 9. (See instructions)

9. ADJUSTED DECLARED VALUE OF ENTIRE CAPITAL EMPLOYED IN THE TRANSACTION OF BUSINESS IN THE UNITED STATES AS OF December 31, 1934 $ 1,168,900.00

Corporations claiming exemption from the tax must indicate the basis of the claim by a check in the appropriate block under item 10 and must furnish the information specifically requested thereunder.

10. ☐ Corporation enumerated in section 101, Revenue Act of 1934. (1) State under which subsection exempt (2) Furnish information requested under instructions 14.
☐ Insurance company subject to tax under section 201, 204, or 207, Revenue Act of 1934. State which section
☐ Corporation not doing business in the United States. (1) Furnish information requested under instructions 17. (2) See instructions 18 with respect to making or adjusting a declaration of value for capital employed in the transaction of business in the United States.

COMPUTATION OF TAX	FOR USE OF TAXPAYER	FOR USE OF DEPARTMENT
11. Amount entered in item 8 or item 9	$ 1,168,900.00	$
12. Tax at rate of $1 for each full $1,000 in item 11 (omit cents)	1,168.00 x x	x x
13. Penalty of 25 percent for delinquency in filing return		
14. Interest at 6% per annum from 8/31/35 to 3/31/36	40.88	
15. TOTAL TAX, PENALTY, AND INTEREST	$ 1,208.88	$

I, ... (Name of official or agent), ... (Title), of the above-named foreign corporation, for which this return for capital-stock tax imposed by section 701 of the Revenue Act of 1934 and the Regulations issued thereunder is made, being duly sworn, depose and say that the items entered in the foregoing report, including any statement attached to or accompanying this return, are, to my best knowledge and belief, and from such information as I have been able to obtain, true and correct in each and every particular.

Sworn to and subscribed before me this 26th day of March, 1936

Anita Barrett
(Name)
NOTARY PUBLIC
In and for the County of Los Angeles, State of California
(Official capacity of officer administering oath)

MOTION PICTURE & THEATRICAL INDUSTRIES LTD.
By Loyd Wright
(Name)
Att'y & Agent
(Title)

[SEAL OF OFFICER TAKING AFFIDAVIT]

(Name and address of officer or agent to whom correspondence should be forwarded)

8—16797

The schedules on this page will be filled in only by a corporation making adjustments to an original declared value of the entire capital employed in the transaction of business in the United States as established by the first return for the taxable year ended June 30, 1934. See instructions 5 to 12, inclusive.

SCHEDULE I.—INCREASE OR DECREASE IN GROSS ASSETS EMPLOYED IN THE UNITED STATES

Statement of Gross Assets in the United States as of the beginning and end of the income-tax taxable year ended, 193

	Beginning of year	*End of year*
Cash	$	$ 38,334.77
Notes receivable		9,062.68
Accounts receivable		
Inventories		
Deferred charges		
Investments		
Real estate		
Buildings		
Machinery and equipment		
Furniture and fixtures		
Stocks of subsidiary companies employing capital in the United States		
Other assets (describe fully):		
TOTAL ASSETS	$ None	$ 47,397.45

Increase or decrease in gross assets to be entered as an adjustment on line 2 of schedule III $

SCHEDULE II.—CHANGES IN THE TRANSITORY CAPITAL ALLOCATED TO THE UNITED STATES BUSINESS

Statement with full explanation of all changes in the transitory capital during income-tax taxable year ended, 193

	$

Increase or decrease in transitory capital to be entered as an adjustment on line 4 of schedule III $

SCHEDULE III.—ADJUSTED DECLARED VALUE OF THE ENTIRE CAPITAL EMPLOYED IN THE TRANSACTION OF BUSINESS IN THE UNITED STATES

1. Original declared value as established by the first return for the taxable year ended June 30, 1934	$ 1,121,502.55
2. Increase or decrease in gross assets employed in the United States as entered in schedule I	47,397.45
3. Total before adjustment for changes in transitory capital	$ 1,168,900.00
4. Increase or decrease in transitory capital as entered in schedule II	None
5. ADJUSTED DECLARED VALUE	$ 1,168,900.00

9—10787

U.S. BOARD OF TAX APPEALS
DIV 12 DOCKET 88104
ADMITTED IN EVIDENCE
JUN 27 1938
PETITIONER'S EXHIBIT 9

9-V

Form 843
TREASURY DEPARTMENT
INTERNAL REVENUE SERVICE
Revised June, 1930

CLAIM

TO BE FILED WITH THE COLLECTOR WHERE ASSESSMENT WAS MADE OR TAX PAID

The Collector will indicate in the block below the kind of claim filed, and fill in the certificate on the reverse side.

COLLECTOR'S STAMP
(Date received)

☐ REFUND OF TAX ILLEGALLY COLLECTED.

☐ REFUND OF AMOUNT PAID FOR STAMPS UNUSED, OR USED IN ERROR OR EXCESS.

☐ ABATEMENT OF TAX ASSESSED (not applicable to estate or income taxes).

RECEIVED
COLLECTOR OF INTERNAL REVENUE
DISTRICT OF MARYLAND
DEC 21 1936
BALTIMORE OFFICE

STATE OF CALIFORNIA
DEC 2 1936
COUNTY OF LOS ANGELES } ss:

TYPE OR PRINT

Name of taxpayer or purchaser of stamps Motion Picture and Theatrical Industries, Ltd.

Business address c/o Loyd Wright, 111 West 7th St., Los Angeles, California
(Street) (City) (State)

Residence

The deponent, being duly sworn according to law, deposes and says that this statement is made on behalf of the taxpayer named, and that the facts given below are true and complete:

1. District in which return (if any) was filed Baltimore, Maryland
2. Period (if for income tax, make separate form for each taxable year) from January 1, 1934 to Dec. 31, 1934
3. Character of assessment or tax income tax
4. Amount of assessment, $ 12,833.33; dates of payment withheld at source in 1934
5. Date stamps were purchased from the Government
6. Amount to be refunded $ 12,833.33
7. Amount to be abated (not applicable to income or estate taxes) $
8. The time within which this claim may be legally filed expires, under Section of the Revenue Act of 19....., on, 19.....

The deponent verily believes that this claim should be allowed for the following reasons:

The taxpayer has been advised that the Commissioner of Internal Revenue is preparing to assess the income tax on the income reported by the corporation for the year 1934 against Charles Laughton, an individual. This claim is filed solely to protect the right of the taxpayer to a refund of the tax already paid by it amounting to $12,833.33 should the individual be compelled to pay income tax on the income of and reported by the corporation. This claim is made for $12,833.33 or such greater amount as can be legally refunded and is not in any manner an agreement or assent to any proposed assessment against the individual.

PHOTOSTAAT COPY OF POWER OF ATYORNEY WAS FORWARDED TO BUREAU SEPTEMBER 20,1935.

(Attach letter also sheets if space is not sufficient)

Sworn to and subscribed before me this

9th day of November, 1936

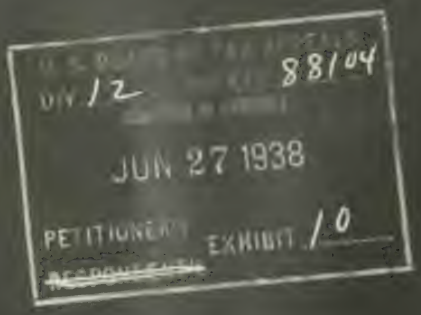
Signed Motion Picture and Theatrical Industries, Ltd.
By
Its Attorney-in-fact

Anita Garrett NOTARY PUBLIC
(Signature of officer administering oath) (Title)
In and for the County of Los Angeles, State of California

(SEE INSTRUCTIONS ON REVERSE SIDE)

2—11706

2402784


DIV 12
88104
JUN 27 1938
PETITIONER'S
EXHIBIT 10

Form 843
TREASURY DEPARTMENT
Internal Revenue Service
(Revised June, 1935)

CLAIM

TO BE FILED WITH THE COLLECTOR WHERE ASSESSMENT WAS MADE OR TAX PAID

The Collector will indicate in the block below the kind of claim filed, and will so indicate on the reverse side.

- [X] REFUND OF TAX ILLEGALLY COLLECTED.
- [] REFUND OF AMOUNT PAID FOR STAMPS UNUSED, OR USED IN EXCESS OR ERROR.
- [] ABATEMENT OF TAX ASSESSED (not applicable to estate or income taxes).

RECEIVED
DEC 28 1936
INTERNAL REVENUE
CONTROL SECTION

COLLECTOR'S STAMP
(Date received)
SD
NOV 17 1936
LOS ANGELES, CAL.

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES } ss: Sept. 500000-1935 List

TYPE OR PRINT

Name of taxpayer or purchaser of stamps: Motion Picture and Theatrical Industries, Ltd.

Business address: c/o Loyd Wright, 111 West 7th St., Los Angeles, California
(Street) (City) (State)

Residence:

The deponent, being duly sworn according to law, deposes and says that this statement is made on behalf of the taxpayer named, and that the facts given below are true and complete:

1. District in which return (if any) was filed: 6th California - at Los Angeles
2. Period (if for income tax, make separate form for each taxable year) from: January 1, 1934 to December 31, 1934
3. Character of assessment or tax: Income tax withheld and remitted to Collector
4. Amount of assessment, $: 1,640.59; dates of payment: Sept. 4 and Dec. 26, 1935
5. Date stamps were purchased from the Government:
6. Amount to be refunded: $ 1,640.59
7. Amount to be abated (not applicable to income or estate taxes): $
8. The time within which this claim may be legally filed expires, under Section ____ of the Revenue Act of 19____, on ____, 19____.

The deponent verily believes that this claim should be allowed for the following reasons:

The amount of $1,640.59 for which this claim is filed represents a remittance to the Collector of Internal Revenue with Form 1042 of tax withheld on the salary paid to Charles Laughton, and a delinquent penalty thereon of $328.12. Claim for refund is made upon advice that has been received that the Commissioner of Internal Revenue proposes to assess the income tax on the income reported by the corporation against Charles Laughton, an individual taxpayer. Should the individual be compelled to pay income tax on income reported by the corporation, the corporation will have no liability for withholding tax or making payment thereof to the collector. This claim is filed solely to protect the taxpayer's rights and is not in any manner an agreement or assert to the proposed assessment against the individual.

PHOTOSTAAT COPY OF POWER OF ATTORNEY WAS FORWARDED TO BUREAU SEPT. 20.1935.

(Attach letter also if space is not sufficient)

Signed: Motion Picture and Theatrical Industries, Ltd.,
By Loyd Wright
Its Attorney-in-Fact

Sworn to and subscribed before me this 9th day of November, 1936

Anita Garrett
(Signature of officer administering oath)

NOTARY PUBLIC in and for the County of Los Angeles, State of California
(Title)

(SEE INSTRUCTIONS ON REVERSE SIDE)

8—11706

1-1

CERTIFICATE

I certify that an examination of the records of this office shows the following facts as to the assessment and payment of the tax:

Claim No.

Character of assessment and period covered	List	Year	Month	Account No. on Page	Account No. on Line	Amount assessed	Paid, Abated, or Credited: Date	Paid, Abated, or Credited: Amount	Remarks
1934 Income	IT	1935	Sept.	500000		$ 1,312.47	9/6/35	$ 1,312.47	Paid
		Interest to 9/6/35				21.09	10/17/35	21.09	Paid
Per Comm.	23 B.	25%	Penalty			328.12	12/27/35	328.12	Paid
						1640.59			
					Total,	$ 1,661.68	Total,	$ 1,661.68	

I certify that the records of this office show the following facts as to the purchase of stamps:

To Whom Sold or Issued	Kind	Number	Denomination	Date of sale or issue	Amount	If special tax stamp, state: Serial number	If special tax stamp, state: Period commencing—
					$		

Hal Rogan, Collector of Internal Revenue.

6th Cal (District)

Claim examined by—

Claim approved by—

Chief of Division.

COMMITTEE ON CLAIMS

Amount claimed... $

Amount allowed... $

Amount rejected... $

INSTRUCTIONS

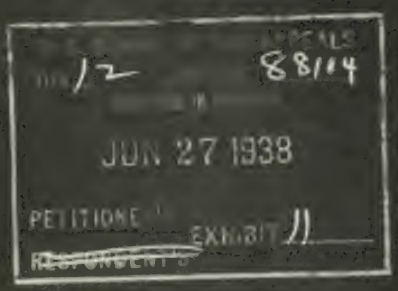
1. The claim must set forth in detail and under oath each ground upon which it is made, and facts sufficient to apprise the Commissioner of the exact basis thereof.

2. The claim should be sworn to by the taxpayer, if possible. Whenever it is necessary to have the claim executed by an attorney or agent, on behalf of the taxpayer, an authenticated copy of the document specifically authorizing such agent or attorney to sign the claim on behalf of the taxpayer shall accompany the claim. The oath will be administered without charge by any collector, deputy collector, or internal revenue agent.

3. If a return is filed by an individual and a refund claim is thereafter filed by a legal representative of the deceased, certified copies of the letters testamentary, letters of administration, or other similar evidence must be annexed to the claim, to show the authority of the executor, administrator, or other fiduciary by whom the claim is filed. If an executor, administrator, guardian, trustee, receiver, or other fiduciary files a return and thereafter refund claim is filed by the same fiduciary, documentary evidence to establish the legal authority of the fiduciary need not accompany the claim, provided a statement is made on the claim showing that the return was filed by the fiduciary and that the latter is still acting.

4. Where the taxpayer is a corporation, the claim shall be signed with the corporate name, followed by the signature and title of the officer having authority to sign for the corporation.

S—11704


12
88104
JUN 27 1938
PETITIONER'S EXHIBIT 11

Form 848
TREASURY DEPARTMENT
INTERNAL REVENUE SERVICE
Revised June, 1930

CLAIM

TO BE FILED WITH THE COLLECTOR WHERE ASSESSMENT WAS MADE OR TAX PAID

The Collector will indicate in the block below the kind of claim filed, and fill in the certificate on the reverse side.

COLLECTOR'S STAMP
(Date received)
RECEIVED
COLLECTOR OF INTERNAL REVENUE
DISTRICT OF MARYLAND
JUL 3 1936
BALTIMORE OFFICE

- ☐ REFUND OF TAX ILLEGALLY COLLECTED.
- ☐ REFUND OF AMOUNT PAID FOR STAMPS UNUSED, OR USED IN ERROR OR EXCESS.
- ☐ ABATEMENT OF TAX ASSESSED (not applicable to estate or income taxes).

RECEIVED
JUL 3 1936
CLAIMS CONTROL

2387499

STATE OF CALIFORNIA }
COUNTY OF LOS ANGELES } ss:

TYPE OR PRINT

Name of taxpayer or purchaser of stamps Motion Picture and Theatrical Industries, Ltd.

Business address 115 Chancery Lane (Street) London (City) England (State)

Residence

The deponent, being duly sworn according to law, deposes and says that this statement is made on behalf of the taxpayer named, and that the facts given below are true and complete:

1. District in which return (if any) was filed Baltimore, Maryland
2. Period (if for income tax, make separate form for each taxable year) from Jan. 1, 1935 to Dec. 31, 1935
3. Character of assessment or tax income tax
4. Amount of assessment, $ 19,747.55; dates of payment tax withheld
5. Date stamps were purchased from the Government
6. Amount to be refunded $ 6,409.19
7. Amount to be abated (not applicable to income or estate taxes) $
8. The time within which this claim may be legally filed expires, under Section 322 of the Revenue Act of 1934, on June 15, 1939.

The deponent verily believes that this claim should be allowed for the following reasons:

Tax liability per return filed $19,747.55
Tax withheld per letters of confirmation attached to the return as follows:

Paramount Productions, Inc.	825.00
Twentieth Century Fox Film Corporation	8,937.50
Metro-Goldwyn-Mayer	16,394.24
	26,156.74

Excess of tax withheld over correct tax liability..... $ 6,409.19

(Attach letter size sheets if space is not sufficient)

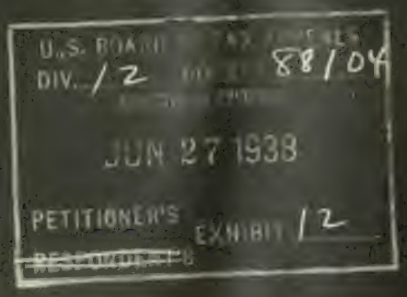
Signed X Loydwright

Sworn to and subscribed before me this 18th day of June, 1936.

Anita Garrett, Notary Public.
(Signature of officer administering oath) (Title)

(SEE INSTRUCTIONS ON REVERSE SIDE)

2—11704


U.S. BOARD
DIV. 12
88/04
JUN 27 1938
PETITIONER'S
EXHIBIT 12

Form 843
TREASURY DEPARTMENT
INTERNAL REVENUE SERVICE
Revised June, 1930

CLAIM

TO BE FILED WITH THE COLLECTOR WHERE ASSESSMENT WAS MADE OR TAX PAID

The Collector will indicate in the block below the kind of claim filed, and fill in the certificate on the reverse side.

- ☐ REFUND OF TAX ILLEGALLY COLLECTED.
- ☐ REFUND OF AMOUNT PAID FOR STAMPS UNUSED, OR USED IN ERROR OR EXCESS.
- ☐ ABATEMENT OF TAX ASSESSED (not applicable to estate or income taxes).

COLLECTOR'S STAMP
(Date received)
DEC 21 1936
NOV 17 1936

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES } ss:

COLLECTOR OF INTERNAL REVENUE
DISTRICT OF MARYLAND
DEC 23 1936
BALTIMORE OFFICE

TYPE OR PRINT

Name of taxpayer or purchaser of stamps Motion Picture and Theatrical Industries, Ltd.

Business address c/o Loyd Wright, 111 West Seventh Street, Los Angeles, California
(Street) (City) (State)

Residence

The deponent, being duly sworn according to law, deposes and says that this statement is made on behalf of the taxpayer named, and that the facts given below are true and complete:

1. District in which return (if any) was filed Baltimore, Maryland
2. Period (if for income tax, make separate form for each taxable year) from January 1, 1935, to December 31, 1935
3. Character of assessment or tax Income tax
4. Amount of assessment, $ 26,156.74; dates of payment Withheld at source in 1935
5. Date stamps were purchased from the Government
6. Amount to be refunded $ 26,156.74
7. Amount to be abated (not applicable to income or estate taxes) $
8. The time within which this claim may be legally filed expires, under Section of the Revenue Act of 19, on , 19

The deponent verily believes that this claim should be allowed for the following reasons:

The taxpayer has been advised that the Commissioner of Internal Revenue is proposing to assess the income tax on the income reported by the corporation for the year 1935 against Charles Laughton, an individual, disregarding the corporate entity. This claim is filed solely to protect the right of the taxpayer to a refund of the tax already paid by it amounting to $26,156.74 should the individual be compelled to pay income tax on the income of and reported by the corporation. This claim is made for $26,156.74 or such greater amount as may be legally refunded and is not in any manner an agreement or assent to any proposed assessment against the individual.

PHOTOSTAAT COPY OF POWER OF ATTORNEY WAS FORWARDED TO BUREAU SEPTEMBER 20, 1935.

(Attach letter also showing if agent is not entitled)

Signed By Motion Pictures and Theatrical Industries, Ltd.,
Its Attorney-in-fact

Sworn to and subscribed before me this 9th day of November, 1936

Anita Garrett — NOTARY PUBLIC
(Signature of officer administering oath) (Title)
In and for the County of Los Angeles, State of California

(SEE INSTRUCTIONS ON REVERSE SIDE)

3—11704

24022785

DIV. 12 88104
JUN 27 1938
PETITION DENIED 13

Form 843
TREASURY DEPARTMENT
INTERNAL REVENUE SERVICE
Revised June, 1930

CLAIM

TO BE FILED WITH THE COLLECTOR WHERE ASSESSMENT WAS MADE OR TAX PAID

The Collector will indicate in the block below the kind of claim filed, and fill in the certificate on the reverse side.

COLLECTOR'S STAMP
Date received

☐ REFUND OF TAX ILLEGALLY COLLECTED.

☐ REFUND OF AMOUNT PAID FOR STAMPS UNUSED, OR USED IN ERROR OR EXCESS.

☐ ABATEMENT OF TAX ASSESSED (not applicable to estate or income taxes).

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES } ss.

TYPE OR PRINT

Name of taxpayer or purchaser of stamps Motion Picture and Theatrical Industries, Ltd.

Business address c/o Loyd Wright, 111 West 7th St., Los Angeles, California

Residence

The deponent, being duly sworn according to law, deposes and says that this [illegible] and that the facts given below are true and complete

1. District in which return (if any) was filed 6th California at Los Angeles
2. Period (if for income tax, make separate form for each taxable year from) July 1, 33 June 30 34
3. Character of assessment or tax
4. Amount of assessment, $ $1,294.58, dates of payment March 28, 1936 and June 11, 1936
5. Date stamps were purchased from the Government
6. Amount to be refunded Including interest and penalties 1,[illegible]4.58
7. Amount to be abated (not applicable to income or estate taxes)
8. The time within which this claim may be legally filed expires, under Section of the Revenue Act of 19
 on , 19

The deponent verily believes that this claim should be allowed for the following reasons

The taxpayer has been advised that the Commissioner of Internal Revenue is proposing to assess the income tax on the income reported by the corporation against Charles Laughton, an individual, disregarding the corporate entity. The income of the corporation was a material factor in determining the stated value of its capital stock for purposes of the capital stock tax. Should the individual be compelled to report and pay income tax on the income reported by the corporation and the corporation denied the right to report this income, it is claimed that the corporation will have no liability for the payment of any capital stock tax and is entitled to a refund of all capital stock tax paid together with any and all interest or penalties thereon.

SEAL

(Attach letter also sheets if space is not sufficient)

Signed MOTION PICTURE AND THEATRICAL INDUSTRIES, LTD.
By Loyd Wright
Its Attorney-in-fact

Sworn to and subscribed before me this 9th day of November, 193 6

Anita Garrett
NOTARY PUBLIC
(Signature of officer administering oath) (Title)

(SEE INSTRUCTIONS ON REVERSE SIDE)

2-11704

12 88104
JUN 27 1938
PETITIONER'S EXHIBIT 14

Form 843
TREASURY DEPARTMENT
INTERNAL REVENUE SERVICE
Revised June, 1930

CLAIM

TO BE FILED WITH THE COLLECTOR WHERE ASSESSMENT WAS MADE OR TAX PAID

The Collector will indicate in the block below the kind of claim filed, and fill in the certificate on the reverse side.

COLLECTOR'S STAMP
Date received

- ☐ REFUND OF TAX ILLEGALLY COLLECTED.
- ☐ REFUND OF AMOUNT PAID FOR STAMPS UNUSED, OR USED IN ERROR OR EXCESS.
- ☐ ABATEMENT OF TAX ASSESSED (not applicable to estate or income taxes).

STATE OF ... CALIFORNIA
COUNTY OF... LOS ANGELES

TYPE OR PRINT

Name of taxpayer or purchaser of stamps: Motion Picture and Theatrical Industries, Ltd.

Business address: c/o Loyd Wright, 634 South Spring Street, Los Angeles

Residence

The deponent, being duly sworn according to law, deposes and says that he is [illegible] for and on behalf of the taxpayer named, and that the facts given below are true and complete.

1. District in which return (if any) was filed: 6th California District, Los Angeles
2. Period (if for income tax, make separate form for each taxable year): from July 1, 1934 to June 30, 1935
3. Character of assessment or tax: Capital stock tax
4. Amount of assessment, $1,220.37; date(s) of payment: March 12, 1936 to January 11, 1936
5. Date stamps were purchased from the Government: ...
6. Amount to be refunded: including interest and penalties, 1,220.37
7. Amount to be abated (not applicable to income or estate taxes): ...
8. The time within which this claim may be legally filed expires, under Section ... of the Revenue Act of 19..., on ..., 19...

The deponent verily believes that this claim should be allowed for the following reasons:

The taxpayer has been advised that the Commissioner of Internal Revenue is proposing to assess the income tax on the income reported by the corporation against Charles Laughton, an individual, disregarding the corporate entity. The income of the corporation was a material factor in determining the stated value of its capital stock for purposes of the capital stock tax. Should the individual be compelled to report and pay income tax on the income reported by the corporation and the corporation denied the right to report this income, it is claimed that the corporation will have no liability for the payment of any capital stock tax and is entitled to a refund of all capital stock tax paid together with any and all interest or penalties thereon.

SEAL

(Attach letter size sheets if space is not sufficient)

Signed MOTION PICTURE AND THEATRICAL INDUSTRIES, LTD.
By Loyd Wright
Its Attorney-in-fact

Sworn to and subscribed before me this 9th day of November, 1936

Anita Garrett
(Signature of officer administering oath)

NOTARY PUBLIC
(Title)

(SEE INSTRUCTIONS ON REVERSE SIDE)

3 11704

U. S. BOARD OF TAX APPEALS
DIV. 12 DOCKET 88104
ADMITTED IN EVIDENCE
JUN 27 1938
PETITIONER'S EXHIBIT 15

Form 843
TREASURY DEPARTMENT
Internal Revenue Service
Revised June, 1930

CLAIM

TO BE FILED WITH THE COLLECTOR WHERE ASSESSMENT WAS MADE OR TAX PAID

The Collector will indicate in the block below the kind of claim filed, and fill in the certificate on the reverse side.

COLLECTOR'S STAMP
(Date received)

☐ Refund of Tax Illegally Collected.

☐ Refund of Amount Paid for Stamps Unused, or Used in Error or Excess.

☐ Abatement of Tax Assessed (not applicable to estate or income taxes).

State of CALIFORNIA
County of LOS ANGELES } ss:

TYPE OR PRINT

Name of taxpayer or purchaser of stamps Motion Picture and Theatrical Industries, Ltd.

Business address c/o Loyd Wright, 111 West Seventh Street, Los Angeles, California
(Street) (City) (State)

Residence

The deponent, being duly sworn according to law, deposes and says that this statement is made on behalf of the taxpayer named, and that the facts given below are true and complete:

1. District in which return (if any) was filed 6th California - at Los Angeles
2. Period (if for income tax, make separate form for each taxable year) from July 1, 35, to June 30, 36
3. Character of assessment or tax Capital stock tax
4. Amount of assessment, $ 750.00; dates of payment Sept. 28, 1936
5. Date stamps were purchased from the Government
6. Amount to be refunded $ 750.00
7. Amount to be abated (not applicable to income or estate taxes) $
8. The time within which this claim may be legally filed expires, under Section ... of the Revenue Act of 19..., on ..., 19...

The deponent verily believes that this claim should be allowed for the following reasons:

The taxpayer has been advised that the Commissioner of Internal Revenue is proposing to assess the income tax on the income reported by the corporation against Charles Laughton, an individual, disregarding the corporate entity. The income of the corporation was a material factor in determining the stated value of its capital stock for purposes of the capital stock tax. Should the individual be compelled to report and pay income tax on the income reported by the corporation and the corporation denied the right to report this income, it is claimed that the corporation will have no liability for the payment of any capital stock tax and is entitled to a refund of all capital stock tax paid together with any and all interest or penalties thereon.

SEAL

(Attach letter size sheets if space is not sufficient)

Sworn to and subscribed before me this 9th day of November, 1936

Signed.. By MOTION PICTURE AND THEATRICAL INDUSTRIES, LTD.
Loyd Wright
Its Attorney-in-fact

Anita Garrett
(Signature of officer administering oath)

NOTARY PUBLIC
In and for the County of Los Angeles, State of California
(Title)

(SEE INSTRUCTIONS ON REVERSE SIDE)

3- 11704

PETITIONER'S EXHIBIT 16

Treasury Department
Washington

Office of
Commissioner of Internal Revenue
Address Reply to
Commissioner of Internal Revenue
and Refer to
MT:CST:CWC
516133
C1:CST-15643-15644-15645

Jan. 13, 1937.

Motion Picture and Theatrical Industries, Ltd.,
c/o Loyd Wright,
111 West Seventh Street,
Los Angeles, California.

Gentlemen:

Consideration has been given to your claims filed for the refund of $1,294.58, $1,220.37, and $750.00 representing capital stock tax and interest paid for the years ended June 30, 1934, June 30, 1935, and June 30, 1936, respectively.

The claims are based on the contention that the Commissioner of Internal Revenue is proposing to assess the income tax on the income reported by the corporation against Charles Laughton as an individual, disregarding the corporate entity. Therefore, the corporation should have no liability for the payment of any capital stock tax.

The evidence of record discloses that the corporation was organized under the laws of Great Britain on April 30, 1934. Under date of May 4, 1934, Mr. Charles Laughton entered into a contract with Motion Picture and Theatrical Industries, Ltd., under which that company was to have the exclusive right to sublicense and loan his services for a period of five years at a stipulated weekly salary. Under the terms of this agreement the corporation is entitled to all of Mr. Laughton's earnings after the date of the contract. Thereafter the corporation entered into contracts with certain American companies for the services of Mr. Laughton and collected the amounts payable thereunder. It also paid the stipulated salary of Mr. Laughton, agent's commission on the basis of 10 per cent of the gross income, and other miscellaneous expenses. In the year 1934 the gross income under the various contracts from sources within the United States amounted to $93,-333.33, and in 1935 it amounted to $238,370.18. The corporation also maintained an agent in California for the purpose of conducting its United States business.

The capital stock tax is an excise tax imposed upon foreign corporations with respect to carrying on or doing business within [220] the United States. The tax is imposed upon the exercise of the privilege of doing business in a corporate form. Ordinarily the same activities which would subject a domestic corporation to the tax will also subject a foreign corporation to the tax.

The activities referred to above clearly constitute carrying on or doing business within the United States during the years ended June 30, 1934, June 30, 1935, and June 30, 1936. It is immaterial as far as the capital stock tax is concerned, whether the activities of the corporation result in earnings chargeable to it for income tax purposes, or whether such earnings are considered to be those of its principal stockholder. The status of a foreign corporation for the purpose of capital stock tax is dependent upon its actual activities carried on within the United States. It is also immaterial as to whether the activities carried on by the corporation resulted in profit or gain on its own account. Even though the corporation is held to be the agent of Charles Laughton for income tax purposes and any income earned by it is in fact the income of the principal stockholder, the status of the corporation as far as doing business within the United States for capital stock tax purposes would not be changed.

Your claims for refund are rejected in full.

Respectfully,

GUY T. HELVERING,

Commissioner.

By: D. S. BLISS,

Deputy Commissioner.

cc-Los Angeles, California.

[Endorsed]: Petitioner's Exhibit 16. Admitted in evidence June 27, 1938. [221]

PETITIONER'S EXHIBIT 17

Treasury Department
Washington

Office of
Commissioner of Internal Revenue

Address Reply to
Commissioner of Internal Revenue

and Refer to
MT:CST:AF
516133

Apr. 1, 1938

Motion Picture and Theatrical Industries, Ltd.,
c/o Loyd Wright,
111 West Seventh Street,
Los Angeles, California.

Gentlemen:

Reference is made to your capital stock tax return, Form 708, filed for the taxable year ended June 30, 1937, and to your claim for exemption from the tax on the ground that your corporation was not carrying on or doing business in the United States within the meaning of the law and regulations during the year under consideration.

Based on the evidence contained in the affidavit of Mr. Loyd Wright, submitted as supporting evidence, your claim for exemption from the capital

stock tax for the taxable year ended June 30, 1937 is allowed.

By direction of the Commissioner.

Respectfully,

D. S. BLISS,
Deputy Commissioner.

cc-Los Angeles, Cal.

[Endorsed]: Petitioner's Exhibit 17. Admitted in evidence June 27, 1938. [222]

PETITIONER'S EXHIBIT 18

Great Britain and Northern Ireland.
London, England.
Consulate General of the United States
of America—ss.

I, James E. Callahan, Vice Consul of the United States of America residing at London, England, do hereby make known and certify to all whom it may concern that Wilfrid Maurice Phillips, who hath signed the annexed certificate, is a notary public duly admitted and sworn and practising in the city of London, England, and that to all acts by him so done full faith and credit are and ought to be given in Judicature and thereout.

In Testimony Whereof, I have hereunto set my hand and affixed my seal of Office at London afore-

said, this first day of June, in the year of our Lord One Thousand Nine Hundred and thirty-eight.

[Seal] J. E. CALLAHAN,
Vice Consul of the United States of America at London, England.

[American Consular Service Stamp $2] [223]

To all to whom these Presents shall come, I, Wilfrid Maurice Phillips, of the City of London, Notary Public duly admitted and sworn, do hereby certify that the signature, "F. M. Guedalla", subscribed to the annexed Document, is of and in the true and proper hand and handwriting of Florance Montefiore Guedalla to me known and known to me to be a Solicitor of the Supreme Court of Judicature in England and Chairman of Motion Picture and Theatrical Industries Limited, a Company duly incorporated and registered in accordance with English law and having its Registered Office at 115 Chancery Lane in the County of London, England. And I further certify that the signature, "F. Carpenter", also subscribed to the said annexed Document, is of and in the true and proper hand and handwriting of Frank Carpenter, to me known and known to me to be the Secretary of the said Company, And I further certify that the Seal affixed to the said Document is the Common Seal of the said Company. And lastly I certify that such signatures and Seal were so subscribed and affixed on the day of the date hereof in my presence.

In faith and testimony whereof, I have hereunto set my Hand and Seal of Office.

Dated in London this Thirty-first day of May, in the year of our Lord One thousand nine hundred and thirty-eight.

[Seal] WILFRID M. PHILLIPS,
Not. Pub. [224]

I have had the attached documents, being copies of the Minutes contained in the Minute Book of the Motion Picture & Theatrical Industries Limited (of which I am Chairman) carefully copied and examined by the staff of my office, I being a Solicitor. I myself have checked various copies with the original Minutes to see and have ascertained that these particular copies have been correctly copied, and I am assured by my staff and I believe that all of the attached copy documents are a correct replica of the Minutes contained in the Minute Book of the Company.

The said copy Minutes also include the Minutes of the three Annual General Meetings.

The original Minute Book has to be kept at the registered office of the Company, 115, Chancery Lane, in the City of London, for the every day purposes of the Company, including the access thereto of the Auditors of the Company and for production to Government officials or third parties whenever so required, and it would not be right to allow a Minute Book of this character to leave London, much less to leave the British Isles.

The Seal of Motion Picture & Theatrical Industries Limited has been hereto affixed in the presence of:

[Seal] F. M. GUEDALLA,
Chairman and Solicitor.
F. CARPENTER,
Secretary.
31st May, 1938

N.B.—Under Section 33 of the Companies' Act, 1929 any document or proceeding requiring verification by the Company may be signed by a Director, Secretary or other authorised official of the Company, and need not be under its Common Seal. [225]

Motion Pictures & Theatrical Industries Ltd.

MINUTES

of the First Meeting of Directors held at 7, Park Crescent, Portland Place, London, W.1. on Wednesday, the 2nd day of May, 1934, at 12:15 p.m.

Present: Mr. F. M. Guedalla
Mr. F. B. Guedalla
Mr. R. H. Shipley

In attendance: Mr. C. Laughton

1. It was proposed by Mr. R. H. Shipley and seconded by Mr. F. B. Guedalla and it was

Chairman.

Resolved that Mr. F. M. Guedalla be appointed Chairman of the Company.

Registration Certificate of Incorporation.

2. The Solicitors reported the Registration of the Company and the Certificate of Incorporation No. 287524 dated 30th April 1934 was produced.

Memorandum and Articles.

A print of the Memorandum and Articles of Association was also produced.

Registered Office.

3. It was proposed by Mr. F. M. Guedalla and seconded by Mr. F. B. Guedalla and it was

Resolved that the Registered Office be situate at 6, Talbot House, 98, St. Martin's Lane, London, W.C.2.

Bankers.

4. It was proposed by Mr. F. M. Guedalla and seconded by Mr. R. H. Shipley and it was

Resolved that a Banking Account for the Company be opened with the Midland Bank Ltd., at their Covent Garden, 20, Bow Street Branch and that the Bank be and is hereby empowered to honour Cheques, Bills of Exchange and Promissory Notes drawn, signed, accepted or made on behalf of the Company by Mr. F. M. Guedalla, or alternatively by any two of the Directors, and in all cases countersigned by the Secretary, and to act on any instructions given by the persons so authorised with regard to any accounts or transactions [226] of the Company.

Auditors.

5. It was proposed by Mr. F. M. Guedalla and seconded by Mr. Shipley that Messrs. Price Water-

house & Co. of 3, Frederick's Place, Old Jewry, London, E.C.2. be and they are hereby appointed Auditors to the Company at a remuneration to be fixed with them hereafter.

Solicitors.

6. It was proposed by Mr. R. H. Shipley and seconded by Mr. F. B. Guedalla that Messrs. F. M. Guedalla & Co. of Grand Buildings, Northumberland Avenue, London, W.C.2. be and they are hereby appointed Solicitors to the Company.

Secretary.

7. It was proposed by Mr. F. M. Guedalla and seconded by Mr. F. B. Guedalla that Mr. William C. Oswald be and he is hereby appointed Secretary to the Company.

Seal.

8. It was proposed by Mr. F. M. Guedalla and seconded by Mr. R. H. Shipley and it was

Resolved that the seal as produced an impression whereof appears in the margin hereof, be and is hereby adopted as the Common Seal of the Company and that documents requiring the Seal of the Company shall be sealed in the presence of one Director and the Secretary or some other person appointed by the Directors.

(Seal)

Keys of the Seal.

It was further Resolved that the keys of the Seal be in the custody as to one set thereof, of the Chairman, and, as to the other set, of the Secretary.

Allotment of Shares.

9. It was proposed by Mr. F. M. Guedalla and seconded by Mr. R. H. Shipley and it was

Resolved to allot to the following persons the number of shares set opposite their names:

Francis Basil Guedalla	(signatory)	1.
Edith Joseph	(signatory)	1.
Florance Montefiore Guedalla		1.
Ronald Harry Shipley		1.

[227]

It was proposed by Mr. F. M. Guedalla and seconded by Mr. R. H. Shipley and it was

Resolved that, the same having been paid in full 5,996 shares of £1 each be allotted to the following persons named in the applications submitted to this Meeting and for the purpose of identification subscribed by the Chairman thereof, and so that the first named joint allottee be allotted the number of shares set opposite his name as hereinafter appears and that notification of such allotment be given to the respective allottees:

Florance Montefiore Guedalla) Ronald Harry Shipley)	4,000
Ronald Harry Shipley) Edith Joseph)	1,000
Francis Basil Guedalla) William Crawford Oswald)	500
Gerald Spyer) Edith Joseph)	496

Share Certificates.

10. It was proposed by Mr. F. M. Guedalla and seconded by Mr. R. H. Shipley and it was

Resolved that the seal of the Company be affixed to Share Certificates Numbered 1 to 4 inclusive for 4 shares and to Certificates Numbered 5 to 8 inclusive for 5996 shares.

Quorum.

11. It was proposed by Mr. F. M. Guedalla and seconded by Mr. R. H. Shipley and it was

Resolved that two Directors shall be the quorum for a Board Meeting.

Books of the Company.
Telegraphic Address.

12. It was resolved that the Secretary be instructed to obtain the necessary books etc. for carrying on the Company's business and to attend to the necessary arrangements with the Bank and to make application for a telegraphic address. [228]

Service Agreement.

13. The matter of a service agreement between the Company and Mr. Charles Laughton was discussed at length and it was resolved to instruct the Solicitors to prepare a Draft Agreement forthwith for the consideration of the Directors and Mr. Laughton tomorrow with a view to completion on the 4th inst.

There being no other business the proceedings then terminated.

(Sgd) F. M. GUEDALLA
Chairman.

MINUTES

of the Second Meeting of Directors held at 7, Park Crescent, Portland Place, London, W.1. on Thursday the 3rd May 1934 at 3.0 p.m.

Present: Mr. F. M. Guedalla—Chairman
Mr. F. B. Guedalla
Mr. R. H. Shipley

In attendance: Mr. C. Laughton
Mr. W. C. Oswald—Secretary.

The Minutes of the previous meeting were read, confirmed and signed.

Approval of Service Agreement.

14. The draft Service Agreement between the Company and Mr. Charles Laughton was discussed in detail and finally approved. It was proposed by Mr. F. M. Guedalla and seconded by Mr. R. H. Shipley and it was

Resolved that the same be engrossed and that any two Directors be empowered to sign same on behalf of the Company.

Notice of Assignment to London Film Productions Letters re Service Agreement

The Solicitors were requested to write to Myron Selznick-Frank Joyce's Companies in Los Angeles and London, also to Mr. Loyd Wright about carrying the Service Agreement between the Company and Mr. Charles Laughton into effect, and to give notice to London Film Productions of the Assignments of the benefits of any monies arising from

the contracts entered into by Mr. Charles Laughton with the London Film Productions dated [229] the 3rd November 1933 and the 26th February 1934.

Legal Charges.

16. It was proposed by Mr. R. H. Shipley and seconded by Mr. F. B. Guedalla and it was

Resolved that the sum of £250 be paid, to the Company's Solicitors generally on account of their charges and disbursements.

There being no other business the proceedings then terminated.

(Sgd) F. M. GUEDALLA.
Chairman.

MINUTES

of the Third Meeting of Directors held at 7, Park Crescent, Portland Place, London, W.1. on Friday the 4th May 1934 at 10.30 a.m.

Present: Mr. F. M. Guedalla—Chairman
Mr. F. B. Guedalla
Mr. R. H. Shipley

In attendance: Mr. C. Laughton
Mr. W. C. Oswald—Secretary.

The Minutes of the previous meeting were read, confirmed and signed.

Completion of Service Agreement.

17. The engrossments of Mr. Laughton's Service Agreement were produced and completed in dupli-

cate. Mr. F. M. Guedalla and Mr. R. H. Shipley signing on behalf of the Company.

Correspondence Selznick-Joyce and Loyd Wright.

18. Letters to Myron-Selznick-Frank Joyce's Companies and to Mr. Loyd Wright were produced and approved.

Payment to Mr. Charles Laughton.

19. In accordance with Clause 2 of Mr. Laughton's Service Agreement with the Company it was proposed by Mr. F. M. Guedalla and seconded by Mr. R. H. Shipley and it was

Resolved that the Secretary be instructed to pay to Mr. Laughton the sum of £3,900 of which £1,500 be transmitted [230] to the credit of Mr. Laughton at the Bank of America, Hollywood at the expense of the Company.

There being no other business the proceedings then terminated.

(Sgd) F. M. GUEDALLA
Chairman.

MINUTES

of the Fourth Meeting of the Directors held at 7, Park Crescent, Portland Place, London, W.1. on Wednesday the 30th May 1934 at 10.30 a.m.

Present—Mr. F. M. Guedalla—Chairman
Mr. F. B. Guedalla
Mr. R. H. Shipley.

In attendance—Mr. W. C. Oswald—Secretary
Mr. N. R. Jauralde—
Notary Public.

The Minutes of the previous meeting were read, confirmed and signed.

Power of Attorney in favour of Mr. Loyd Wright and partners in U.S.A.

20. A Power of Attorney in favour of Mr. Loyd Wright or alternatively and successively his partners, in California and the United States of America, was produced and approved. The Seal of the Company was duly affixed and Mr. F. M. Guedalla, Mr. R. H. Shipley and the Secretary signed on behalf of the Company.

Correspondence re the play "Noe"

21. Mr. F. M. Guedalla reported that he had written letters in connection with the rights of the play "Noe" to Andre Obey and Alfred Bloch asking them to delay any action in the matter of disposing of these rights until hearing further from him. He had also written a letter to Mr. Laughton explaining the position and requesting his views on the subject.

There being no other business the proceedings then terminated.

(Sgd) F. M. GUEDALLA.
Chairman. [231]

MINUTES

of the Fifth Meeting of the Directors held at 7, Park Crescent, Portland Place, London, W.1. on Friday the 13th July 1934 at 3.0 p.m.

Present: Mr. F. M. Guedalla—Chairman
Mr. F. B. Guedalla
Mr. R. H. Shipley

In attendance: Mr. W. C. Oswald—Secretary

Banking.

22. The Secretary reported that the cash in hand at the Midland Bank, Covent Garden Branch on this day amounted to Five Thousand, four hundred and forty one pounds and six pence (£5,441. 0. 6)

The Secretary was instructed to arrange with the Company's London Bankers to place the sum of Two thousand pounds (£2,000) on Deposit Account.

Statement London Film Productions Ltd.

23. The Secretary produced a Letter and Statement of Receipts from London Film Productions Ltd., in connection with the share of receipts in respect of the film "The Private Life of Henry VIII" due to the 20th June 1934.

Agreements Metro-Goldwyn-Mayer Corporation

24. The Draft of an Agreement between Metro-Goldwyn-Mayer Corporation and the Company was produced, and the Board approved the instructions given to Mr. Loyd Wright to execute same on behalf of the Company.

Mr. F. M. Guedalla reported that monies due thereunder had been received by Mr. Loyd Wright

and paid into an account in the name of the Company with the Bank of America, Hollywood.

"Noe"

25. Mr. F. M. Guedalla stated that as Mons. Alfred Bloch had pressed for an answer re "Noe" he had cabled to Mr. Laughton, giving him Mons. Bloch's proposal and his own personal suggestions varying the terms. Not having received a reply he had again cabled Mr. Loyd Wright and had received an answer to the effect that Mr. Laughton had submitted the play to Mr. Irving Thalberg. [232]

Mr. Guedalla had received a further letter from Mons. Bloch asking for a reply as he was being pressed to settle other offers for "Noe" in the United States of America. Mr. Guedalla had again cabled Mr. Laughton asking for a decision, coupled with a warning that the U.S.A. and English censors might make considerable deletions even if they accepted the play in the English language.

Loan.

26. The Secretary laid before the Board a letter from Mr. F. M. Guedalla, acting under Power of Attorney for Mr. Laughton, asking for a loan of Two thousand five hundred pounds (£2,500) and stating that he would pay whatever interest the Company may reasonably require.

It was proposed by Mr. R. H. Shipley and seconded by Mr. F. B. Guedalla and it was

Resolved that the sum of £2,500 be loaned to Mr. Laughton. Interest to be at the rate of Five per cent. per annum.

The Secretary was instructed to write and inform Mr. F. M. Guedalla as Attorney for Mr. Laughton, and requesting that the rate of interest be confirmed, also that the loan can be called in at any time subject to three months notice.

The Board authorized a cheque for £2,500 payable to Mr. Laughton to be drawn and signed. This cheque was accordingly handed to Mr. F. M. Guedalla.

American Bankers.

27. It was proposed by Mr. F. M. Guedalla, and seconded by Mr. R. H. Shipley, and it was

Resolved that this corporation establish in its name a banking account with the Bank of America National Trust and Savings Association upon such terms and conditions as may be agreed upon with said bank and that the Directors and [233] Mr. Loyd Wright on behalf of this corporation be and they are hereby authorized to establish such an account

That any two of them:——

Florance Montefiore Guedalla—Chairman
and/ or Ronald Harry Shipley—Director
and/or Francis Basil Guedalla—Director
with the counter signature of the Secretary or under Power of Attorney dated 30th May 1934 Mr. Loyd Wright or alternatively and in succession his various partners and/or substitutes on behalf of this corporation be, and they are hereby authorised to withdraw funds of this corporation from the said

account upon cheques of this corporation, signed as provided herein with signature duly certified to said bank by the Secretary of this corporation and said bank is hereby authorised to honour and pay any and all cheques so signed, including those drawn to the individual order of any officer or other person authorised to sign the same, subject that in the case of Directors such cheque needs the signature of two Directors and the counter signature of the Secretary.

(Sgd) F. M. GUEDALLA.
19/5/36.

MINUTES

of the Sixth meeting of the Directors held at 7, Park Crescent, Portland Place, London, W.1. on Friday the 27th July 1934 at 2.30 p.m.

Present: Mr. F. M. Guedalla—Chairman
Mr. R. H. Shipley

In attendance: Mr. W. C. Oswald—Secretary.

Metro-Goldwyn-Mayer Contract.

28. The Chairman reported that he had received a cable dated 25th July 1934 from Mr. Loyd Wright, asking the Company to authorise him to execute under his Power of [234] Attorney a new contract with Metro-Goldwyn-Mayer for the services of Mr. Laughton during the next three years.

It was proposed by Mr. F. M. Guedalla and seconded by Mr. R. H. Shipley and

It was Resolved to authorise Mr. Loyd Wright to conclude contract on the terms which the Chairman submitted and

It was further Resolved and Mr. Guedalla stated that he would cable Mr. Loyd Wright accordingly.

"Noe"

29. The Chairman reported that, in consequence of a suggestion from Mr. Loyd Wright, he had submitted the French version of "Noe" to the British Board of Film Censors, and that subsequently he would submit same to the Lord Chamberlain.

Loan.

30. The Secretary laid before the Board a letter received from Mr. F. M. Guedalla, acting under Power of Attorney for Mr. Laughton, confirming the rate of interest and condition of the loan to Mr. Laughton, also that he had reported the transaction to Mr. Laughton and sent him a copy of the letter.

American Bankers.

31. The Secretary reported that in accordance with the Resolution passed at the last Meeting of the Directors the necessary documents had been dispatched for the opening of an account with the Bank of America, Hollywood.

(Sgd) F. M. GUEDALLA

3/12/34. [235]

MINUTES

of the Seventh Meeting of Directors held at 7, Park Crescent, London, W.1. on Monday the 3rd December 1934 at 4:15 p.m.

Present: Mr. F. M. Guedalla—Chairman
Mr. R. H. Shipley
Mr. F. B. Guedalla

In attendance: Mr. W. C. Oswald—Secretary.

"Noe".

32. The Secretary reported that negotiations for the rights of the play "Noe" had been dropped.

Statement London Film Productions Ltd.

33. The Secretary produced a letter and statement of receipts from London Film Productions Ltd., in connection with the share of receipts in respect of the film "The Private Life of Henry VIII" due to the 1st October 1934.

Charles Laughton re Salary.

34. In accordance with Mr. Laughton's Service Agreement it was proposed by Mr. F. M. Guedalla and Seconded by Mr. R. H. Shipley and

It was Resolved that the Secretary be instructed to pay to Mr. Laughton the sum of £750 (Seven hundred and fifty pounds) being five weeks salary due to the 7th December 1934.

Agreements with Paramount Productions Inc. and Metro-Goldwyn-Mayer Corpn.

35. The Chairman laid before the Board Agreements to which were attached Guarantees given by Mr. Laughton, executed by Mr. Loyd Wright, acting on behalf of the Company with the following Corporations:

Paramount Productions Inc. dated 5th July 1934;

Metro Goldwyn Mayer Corpn. dated 6th July 1934;

Metro Goldwyn Mayer Corpn. dated 25th August 1934;

and also two Supplemental Agreements with Metro-Goldwyn-Mayer Corpn. dated 29th August 1934.

Bank Balances.

36. The Secretary reported that the balance in hand at the Company's London Bank amounted to £3,276. 19. 0. at this date. In accordance with a Statement of Account of the Bank of America the balance in hand on the Company's Account amounted to $41,068.27 at 31st October 1934. [236]

37. [Illegible.]

It was Resolved that a further sum of £250 be paid to the Company's Solicitors generally on account of their charges and disbursements.

Accountancy.

38. It was proposed by Mr. F. M. Guedalla and seconded by Mr. F. B. Guedalla and

It was Resolved that the sum of £70 be paid to Messrs. Oswald & Shipley on account of their charges.

A long discussion followed relative to Income Tax matters.

There being no other business the proceedings then terminated.

(sgd) F. M. GUEDALLA.
30/12/35.

MINUTES OF ANNUAL GENERAL MEETING held on Monday 30th December 1935 at 7 Park Crescent, London, W.1. at 4 p.m.

Present: Mr. F. M. Guedalla (Chairman)
Mr. R. H. Shipley F.C.A.
Mr. F. B. Guedalla

In attendance: Mr. R. J. Eagle—Secretary

Short Notice.

Notice of Consent to short notice of meeting signed by all the Shareholders was produced and read.

Annual Accounts.

It was proposed by Mr. F. M. Guedalla and seconded by Mr. R. H. Shipley that the preparation of the Annual Accounts be postponed for the time being.

Re-appointment of Auditors.

It was resolved by Mr. F. M. Guedalla and seconded by Mr. R. H. Shipley that Messrs. Price

Waterhouse & Co. of 3 Frederick's Place, Old Jewry, London, E.C.2. be and they are hereby re-appointed Auditors to the Company at a remuneration to be agreed upon.

There being no other business the meeting then terminated.

Chairman.

MINUTES

of the Eighth Meeting of Directors held at 7, Park Crescent, London, W.1. on Monday 30th December 1935 at 3:30 p.m.

Present: Mr. F. M. Guedalla
Mr. R. H. Shipley
Mr. F. B. Guedalla

The Minutes of the previous meeting were read, confirmed and signed by the Chairman.

Resignation of Mr. Oswald.

39. A letter of resignation from the Secretary of the Company, Mr. W. C. Oswald, was produced and accepted by the Board.

Appointment of Mr. Eagle as Secretary.

40. It was resolved that

Mr. R. J. Eagle A.L.A.A. of 98, St. Martin's Lane, W.C.2. be and he is hereby appointed Secretary to the Company.

Secretary to Countersign Cheques.

41. It was resolved that:

Mr. Eagle as Secretary should countersign cheques in substitution for Mr. Oswald, resigned; and that Mr. Shipley [237] inform the Bank to make necessary arrangements.

Mr. Laughton and Stage Appearances.

42. The Solicitors to the Company reported that Mr. Laughton is desirous of availing himself of the privilege of appearing from time to time on the stage and in plays connected with the Company's film activities, if the Company from time to time secure suitable copyright plays from dramatists.

The Chairman to Enter Into Agreements.

43. It was approved that the Chairman should from time to time negotiate and on behalf of the Company enter into agreements when desirable, he agreeing to confer throughout with Mr. Shipley.

The Chairman said that one of the objects of the Company was to produce plays with Mr. Laughton in the leading part.

(Sgd) F. M. GUEDALLA

19/5/36.

MINUTES

of the Ninth Meeting of Directors held at 7, Park Crescent, London, W.1. on Friday the 24th January 1936 at 10 a.m.

Present: Mr. F. M. Guedalla
Mr. R. H. Shipley

In Attendance: Mr. R. J. Eagle, Secretary.

Agreement Between Mr. Norman Ginsbury and the Company.

44. The Solicitors to the Company produced an Agreement between the Company and Mr. Norman Ginsbury dated the 24th January 1936, providing for the purchase by the Company of the rights in a play provisionally named "The First Gentleman".

This Agreement was approved by the Board and signed on behalf of the Company by Mr. F. M. Guedalla and Mr. R. H. Shipley and the seal of the Company duly affixed. [238]

Keys of the Seal.

45. It was resolved: that the keys of the Company's seal are to be placed in an envelope to be signed across the back by the Chairman of the meeting at which the seal has been used; this envelope to be produced and opened at the next meeting when the seal is required, the same process then being repeated.

Accountants' and Solicitors' Charges.

46. The Accountants and Solicitors to the Company were asked to send in a note of their charges made up to the end of the year.

(Sgd) F. M. GUEDALLA
19/5/36.

MINUTES

of the Tenth Meeting of Directors held at 7, Park Crescent, London, W.1. on Monday the 17th day of February 1936 at 3:0 p.m.

Present: Mr. F. M. Guedalla
Mr. R. H. Shipley

In attendance: Mr. R. J. Eagle, Secretary.

The Secretary reported that the below mentioned transfer deeds had been duly executed and registered and the old share certificates cancelled.

Share Transfers.

47. Share No. 1. F. B. Guedalla transferred to F. B. Guedalla and Miss E. Joseph jointly.

Share No. 2. Miss E. Joseph transferred to Miss E. Joseph and F. B. Guedalla jointly.

Share No. 3. F. M. Guedalla transferred to F. M. Guedalla and F. B. Guedalla jointly.

Share No. 4. R. H. Shipley transferred to R. H. Shipley and F. M. Guedalla jointly.

Share No. 7. F. B. Guedalla and W. C. Oswald transferred to F. B. Guedalla and R. J. Eagle. [239]

The Seal of the Company was duly affixed to the new certificates numbered 9 to 13 inclusive.

(Sgd) F. M. GUEDALLA.

19/5/36.

MINUTES

of the Eleventh Meeting of Directors held at 7, Park Crescent, London, W.1. on Tuesday the 19th May 1936 at 12:30 p.m.

Present: Mr. F. M. Guedalla
Mr. R. H. Shipley (Retiring Director)
Mr. A. T. Chenhalls (New Director)

In attendance: Mr. Charles Laughton
Mr. F. Carpenter.

The Minutes of the Eighth, Ninth and Tenth Board Meetings were read and signed as correct.

Registered Office.

48. It was resolved that the Registered office be changed from 6, Talbot House, 98 St. Martin's Lane W.C.2. to 115, Chancery Lane, W.C.2.

Secretary.

49. A letter of resignation from the Secretary to the Company, Mr. R. J. Eagle, was produced and accepted by the Board.

It was resolved that Mr. Frank Carpenter of 115, Chancery Lane, W.C.2. be and he is hereby appointed as Secretary of the Company.

Directors.

50. Mr. Shipley tendered to the Board a letter resigning his position as a Director of the Company and his resignation was accepted.

It was resolved that Mr. Alfred Tregear Chenhalls, F.C.A. of 115 Chancery Lane, W.C.2. be and he is hereby appointed a Director of the Company.

Mr. Carpenter was instructed to communicate as necessary with the Bank in connection with the above appointment. [240]

Agreement Between Norman Ginsbury and the Company.

51. It was resolved to exercise the option, provided for in Clause 1 of the Agreement dated 24th January 1936 with Mr. Ginsbury, to extend the period for the commencement of the License to the 30th June 1937, and the Secretary was instructed to take the necessary action.

(Sgd) F. M. GUEDALLA
14/7/36.

MINUTES

of the Twelfth Meeting of Directors held at 7, Park Crescent, London, W.1. on Monday the 8th June 1936 at 11:0 a.m.

Present: Mr. F. M. Guedalla
Mr. F. B. Guedalla.

In attendance: Mr. F. Carpenter—Secretary.

Appointment of Alternate Director.

52. The Chairman placed before the Board a letter from Mr. A. T. Chenhalls appointing Mr. Charles Sterne Forsyth, A.C.A. of 115 Chancery Lane, W.C.2. to act as alternate Director during Mr. Chenhalls' absence in America for two months as from the 5th June 1936.

It was resolved that such appointment be and is hereby confirmed.

It was further resolved that Mr. Forsyth should be authorised to sign cheques and other documents in substitution for Mr. Chenhalls and instructed to send his signature to the Bank.

The Secretary was instructed to supply to the Bank a copy of this Resolution to be certified as correct by the Chairman.

Contract of 26th February 1934 with London Film Productions Ltd.

53. The Chairman placed before the Board a letter dated the 4th June 1936 which he had received from Messrs. Linklaters and Paines, his reply thereto dated 5th June 1936 and a further letter from Messrs. Linklaters & Paines dated the 6th June 1936. [241]

The Board decided that the Chairman should confer with Mr. Charles Laughton as to his being Co-Plaintiff and IT WAS RESOLVED to take such proceedings as Messrs. F. M. Guedalla & Co. and/or Counsel should think fit for a declaration of rights

and for damages and such other proceedings for the assertion and protection of the rights of Mr. Charles Laughton and of the Company as the Company's Solicitors and Counsel think fit.

It was further decided that the conduct of such proceedings should be left in the hands of Mr. F. M. Guedalla, who stated that he would confer with his colleagues and with Mr. Charles Laughton as and when necessary.

It was resolved that the Secretary and/or any Director be and he is and/or they are hereby authorised to make Affidavits and/or furnish particulars and discovery on the Company's behalf, and that Messrs. F. M. Guedalla & Co. be instructed to employ and act on the advice of such Counsel as they may think fit.

(Sgd) F. M. GUEDALLA.
14/7/36.

MINUTES

of a Meeting of Directors held at 7, Park Crescent, London, W.1. on Tuesday the 14th July 1936.

Present: Mr. F. M. Guedalla
Mr. F. B. Guedalla
Mr. F. Carpenter (Secretary)

The Minutes of the Meetings held on the 19th May and 8th June 1936 were read and confirmed.

Contract of 26th February 1934 with London Film Productions Ltd.

54. The Chairman reported that his firm on behalf of the Company and Mr. Laughton had issued a Writ against London Film Productions Ltd. on the 2nd July 1936 and delivered Statement of Claim on the 10th July 1936, copies of which documents have been supplied to the Secretary. [242]

The Chairman also reported that another action had been instituted by London Film Productions Ltd. which had issued a Writ against this Company and Mr. Laughton on the 7th July 1936.

The Chairman pointed out that the subject matter of the two actions was similar except that London Film Productions Ltd. in its action was demanding an Injunction and possibly was going to move at an early date for an Interlocutory Injunction. The Chairman mentioned that this Company's case was instituted before Mr. Justice Eve and that of London Film Productions Ltd. before Mr. Justice Clauson. The Chairman was considering whether to make an application for consolidation of the two proceedings. Meantime, acting on the instructions of Mr. Laughton, also on his own authority as Chairman of this Company, the Chairman's firm had entered an appearance to the London Film Productions action on the 14th July 1936.

The Board decided that the Chairman should confer at all times with Mr. Laughton as to his being co-Defendant in the proceedings instituted by London Film Productions Ltd.

It was resolved that the Defence of this Company should be conducted in such wise as Messrs. F. M. Guedalla & Co. and/or Counsel should think fit, including, if necessary, any application for consolidation of the two actions or other convenient treatment thereof.

It was further decided that the conduct of all such proceedings should be left in the hands of the Chairman who stated that he would confer with his colleagues and with Mr. Laughton as and when necessary.

It was resolved that the Secretary and/or any Director be and he is and/or they are hereby authorised to make Affidavits and/or furnish particulars and discovery on the Company's behalf and that Messrs. F. M. Guedalla & Co. be instructed to employ and act on the advice of such Counsel as they may think fit.

(Sgd) F. M. GUEDALLA.

31/8/36 [243]

MINUTES

of the Meeting of Directors held at the Falmouth Hotel, Falmouth on Monday the 31st August, 1936.

Present: Mr. F. M. Guedalla—Chairman
Mr. A. T. Chenhalls.

The Minutes of the Meeting held on the 14th July, 1936 were read and confirmed.

L.F.P. Litigation.

Mr. Guedalla reported repeated consultations with Mr. Chenhalls in connection with the London Film Productions litigation and that having had the instructions of the Company as well as of his client, Mr. Laughton, after very strenuous arguments he had on behalf of the Company and with the acquiescence of Mr. Laughton come to a settlement of both lawsuits with Messrs. Linklaters & Paines, acting for L.F.P.

He produced the Terms of Settlement for the two lawsuits which had been signed on behalf of all parties by his firm and Messrs. Linklaters (acting for L.F.P.) and he also produced, and it was directed that the same should be executed, the different Agreements to give effect to the said settlement. They included the mutual Release by L.F.P. and this Company of the Agreement of 26th February 1934, and also arrangements whereby United Artists Corporation Ltd. should on behalf of L.F.P. pay certain agreed damages in three different instalments to this Company. The Company was to retain all monies heretofore paid by L.F.P. for the loan of Mr. Laughton's services and L.F.P. by a new Agreement was to hire his services from the Company for the further film which was to be "I Claudius", his role in such film to be completed before the end of the year.

(Sgd) F. M. GUEDALLA.

8. 9. 36. [244]

MINUTES

of the Meeting of Directors held at 7, Park Crescent, Portland Place, W.1. on Tuesday, the 8th September 1936.

Present—Mr. F. M. Guedalla—Chairman
Mr. A. T. Chenhalls.

The Minutes of the Meeting held on the 31st August, 1936 were read and confirmed.

Investment of Cash Balance.

Mr. Chenhalls submitted that as the Company's cash at the Bank now stood at £36,000 some means of investment should be considered.

It was suggested that £9,000 be invested in Conversion Loan, £10,000 in Port of London Authority's Stock, and the balance to be put on Deposit Account.

As, however, no Port of London 3½% Stock 1949/99 was on offer in the market, it was resolved that £10,000 be invested in Australia 3¼% Stock 1956/61, and £9,000 in 3½% Conversion Loan, and that Mr. Chenhalls be instructed to carry out the purchase of the investments.

(Sgd) F. M. GUEDALLA.
28.10.36.

MINUTES

of the Meeting of Directors held at 7, Park Crescent, Portland Place, W.1. on Wednesday, 28th October, 1936.

Present: Mr. F. M. Guedalla—Chairman
Mr. A. T. Chenhalls.

The Minutes of the Meeting held on the 8th September, 1936 were read and confirmed.

M.G.M.

Mr. Guedalla reported the death of Mr. Thalberg and conferences he had had on the subject with Mr. Loyd Wright's firm as well as with the Company's Agents, Messrs. Myron Selznick, with the result that Mr. Guedalla having considered the M.G.M. contract and denounced it, had so informed Messrs. Myron Selznick, and had requested Mr. Loyd Wright's firm to [245] inform M.G.M.

Mr. Guedalla stated that he had taken this course with the approval of Mr. Laughton. He stated that this course enabled the Company shortly to do hereafter what it had originally been formed and intended to do from the outset, namely having accumulated funds, not only to acquire stories etc. but to participate actively in film production immediately "I Claudius" was finished, L.F.P. being under obligation to complete the shooting of Mr. Laughton's part in "Claudius" by the end of the year, although not yet commenced.

It was recorded that Mr. Laughton was very upset about Mr. Thalberg's death, because he had an

understanding that some of the M.G.M. films in which he was to have performed under Mr. Thalberg's supervision were going to be made in this country, and doubtless if they were so made this Company would have participated in the production activities, as well as lending Mr. Laughton's services: and all these plans accordingly were now frustrated.

(Sgd) F. M. GUEDALLA
5.11.36.

MINUTES

of the Meeting of Directors held at 7 Park Crescent, Portland Place, W.1. on Thursday, 5th November 1936

Present: Mr. F. M. Guedalla—Chairman
Mr. A. T. Chenhalls.

The Minutes of the Meeting held on the 28th October 1936 were read and confirmed.

Investments

Mr. Chenhalls reported that the following investments had been offered:——

£9,000 3½% Conversion Stock
£10,000 Australia 3¼% Stock 1956/61. [246]

and £15,000 had been transferred from Current Account to Deposit Account for a period of three months fixed at interest at ½% over London Deposit rate.

Mr. Chenhalls also reported that he had arranged for the purchase of a further £14,000 3½% Conversion Stock, of which £7,000 was due for settlement on the 11th November, out of Current Account and the remaining £7,000 due on 22nd December next out of the Deposit Account.

Appointment of Mr. Van Thal.

It was reported that as from 21st October last Mr. Charles Laughton had on the Company's behalf engaged Mr. Bertie Van Thal to act as a play and script reader for the Company. It was resolved that this engagement be and is hereby confirmed.

(Sgd) F. M. GUEDALLA.
21.12.36.

MINUTES

of Annual General Meeting of Company held on Thursday, the 17th December, 1936 at 7 Park Crescent, Portland Place, W.1.

Present: Mr. F. M. Guedalla—Chairman
Mr. F. Basil Guedalla
Mr. A. T. Chenhalls

Attending: Mr. F. Carpenter—Secretary

The Minutes of the previous Annual General Meeting held on the 30th December, 1935 were read and confirmed.

Annual Accounts.

It was resolved that the preparation of the annual accounts be temporarily postponed.

Auditors.

It was resolved that Messrs. Price Waterhouse & Co. be and are hereby re-elected Auditors of the Company for the ensuing year at a fee to be arranged. [247]

MINUTES

of the Meeting of Directors held at 7, Park Crescent, Portland Place, W.1. on Monday 21st December 1936

Present: Mr. F. M. Guedalla—Chairman
Mr. A. T. Chenhalls.

The Minutes of the Meeting held on the 5th November, 1936 were read and confirmed.

Mr. Guedalla reported that he had been having, on behalf of the Company, some tempestuous interviews with Mr. Korda, the Managing Director of L.F.P. He had discussed these matters from time to time with Mr. Chenhalls as well as with Mr. Laughton.

L.F.P. had not even prepared a shooting script of "Claudius", much less started to shoot it, and the question would arise when the Company could start actively on its plans long since under discussion for becoming or being associated with one of the chief British film producers.

The Chairman reported that Mr. Laughton disliked the idea of walking out of "Claudius" and so did the Chairman, having regard to the expenses to

which L.F.P. had already admittedly gone, but Mr. Guedalla, as Chairman of the Company, was insisting that the "Claudius" obligation should not be indefinitely prolonged but be completed as soon as possible, because Mr. Laughton had now met Mr. Pommer, and their two Companies were going to co-operate—Indeed, for sometime past this Company had been employing skilful people to examine and report on likely stories, and much other preparatory work was under weigh.

There had been suggestions that this Company (of which Mr. Guedalla happens also to be Solicitor and Chairman) should combine in some way or other with L.F.P. in the production of a series of great films, but Mr. Korda was so angered at the [248] present moment about different matters and blaming them although nothing to do with Mr. Laughton and Mr. Pommer, nor indeed with other clients of Mr. Guedalla, that it did not look as if there would be any combination with L.F.P. in which event this Company and Mr. Pommer's Company would have to look elsewhere for a big combine to make pictures worthy of Mr. Laughton and Mr. Pommer, when Mr. Pommer would produce Mr. Laughton, but the chief interest in the proposition was that this Company would also be interested in a series of non-Laughton pictures to be produced in due course by Mr. Erich Pommer.

It was also decided more actively than heretofore to acquire stories and to have people to treat them

and write the shooting script, also to engage whenever expedient the services of writers, technicians, actors and actresses, and to do all the necessary preparatory work. Negotiations had already started with Miss Clemence Dane.

Already this Company has secured, or is planning to obtain outright, or by way of option, different rights to stories, and has got various people, technicians or actors or writers willing to associate themselves with the Company.

It was resolved to give the Chairman, and when necessary Mr. Chenhalls, a free hand to do what they thought right in all such matters on behalf and in the interests of the Company, the Chairman reporting that he was constantly seeing Mr. Pommer and Mr. Laughton.

"Peter Pan"

Mr. Guedalla reported that he had obtained a verbal agreement with London Film Productions Ltd. for Mr. Charles Laughton to rehearse and perform in Barrie's play "Peter Pan" from December 26th 1936 to 16th January 1937 and that he had agreed the period of the loan of Mr. Laughton's services under [249] the Agreement dated 31st August 1936 should be extended to 31st March, 1937.

Kinemart Ltd.

It was resolved that the Company subscribe for 200 shares of $10 each in Kinemart Ltd.

A. Bryant.

It was reported to the Company that £100 was due to Mr. Arthur Bryant on account of expenses towards research work carried on for the benefit of the Company, and on the instructions of Mr. Laughton. It was resolved that this account be paid, and that a letter agreement be approved and sent to Mr. Bryant for signature.

Mr. Chenhalls mentioned that it was he who some time ago had, with the Chairman's approval, made the necessary arrangements with Mr. Arthur Bryant, and that Mr. Arthur Bryant was to be paid later on a substantial fee for all the work he was doing. Meantime, Mr. Bryant, who was employing various persons, was sending material along to Mr. Laughton to consider, and this course was approved by the Board.

(Sgd) F. M. GUEDALLA.
18.1.37

MINUTES

of the Meeting of Directors held at 7, Park Crescent, Portland Place, W.1. on Monday the 18th January, 1937.

Present: Mr. F. M. Guedalla—Chairman
Mr. A. T. Chenhalls.

The Minutes of the Meeting held on the 21st December, 1936 were read and confirmed.

Production Co.

The Chairman reported that it was in contemplation at any early date to form a subsidiary Company so as to define the interests of Rosemullion Producers Ltd. (which is Mr. Pommer's Company) with this Company. It was decided to leave all the arrangements in Mr. Guedalla's hands. The directors thought anyhow it was wise to have a separate limited liability company [250] as a department for the production of films and other operations.

The idea was that the new company should start with a substantial cash capital and Rosemullion and this Company would co-operate and aid in every way its film activities so that the new company could go into production as soon as possible after "Claudius" was completed. The Chairman said that the idea was that Mr. Laughton and Mr. Pommer would manage the new company and that Mr. Chenhalls and Mr. Jenks and he should be directors. The idea was approved and it was decided to go ahead with the scheme.

(Sgd) F. M. GUEDALLA.

4. 2. 37.

MINUTES

of the Meeting of Directors held at 7, Park Crescent, Portland Place, W.1. on February 4th 1937.

Present: Mr. F. M. Guedalla—Chairman
Mr. A. T. Chenhalls.

Attending: Mr. F. Carpenter (Secretary)

The Minutes of the Meeting held on the 18th January, 1937 were read and confirmed.

Miss Clemence Dane.

An agreement dated 4th February, 1937 engaging Miss Clemence Dane's services for treating and writing three films between 1st April, 1937 and 31st March, 1938 was laid before the Meeting.

It was resolved that this Agreement be entered into by the Company, and the Company's seal was accordingly affixed thereto.

(Sgd) F. M. GUEDALLA.
2. 3. 37. [251]

MINUTES

of the Meeting of Directors held at 7, Park Crescent, Portland Place, W.1. on Tuesday 2nd March, 1937.

Present: Mr. F. M. Guedalla—Chairman
Mr. A. T. Chenhalls.

Attending: Mr. F. Carpenter (Secretary)

The Minutes of the Meeting held on the 4th February, 1937 were read and confirmed.

Mayflower Pictures Corp. Ltd. & Rosemullion Producers Ltd.

The Chairman formally reported that the Mayflower Pictures Corporation Limited had been formed on the 25th January, 1937: and in accordance with arrangements which had been discussed with Mr. Chenhalls, it was resolved that the Company should subscribe for 60,000 5/- shares in the Mayflower Pictures Corporation Ltd. and accordingly a cheque for £15,000 was drawn in favour of the Mayflower Company.

It was further resolved that an advance of £15,000 be made to Rosemullion Producers Ltd. for the purpose of that Company subscribing its moiety in Mayflower Pictures Corporation Ltd. Mr. Guedalla stated that as Chairman of Rosemullion Producers Ltd. he would arrange for that Company to deposit its 60,000 shares in Mayflower Pictures Corporation Limited as security for the said loan.

He further stated that the loan would run at interest, details of which would be fixed subsequently.

The Chairman reported that there were negotiations afoot whereby the Mayflower Picture Corporation Limited should be actively associated with some other producers so that the necessary cash capital for a series of films could be advanced to the Mayflower Picture Corporation Limited.

(Sgd) F. M. GUEDALLA.

9. 3. 37. [252]

MINUTES

of the Meeting of Directors held at 7, Park Crescent, Portland Place, W.1. on Tuesday, 9th March 1937.

Present: Mr. F. M. Guedalla—Chairman
Mr. A. T. Chenhalls.

Attending: Mr. F. Carpenter (Secretary)

The Minutes of the Meeting held on the 2nd March 1937 were read and confirmed.

"Vessel of Wrath"

An agreement dated 6th March, 1937 was laid before the meeting for the purchase of the talking film rights of Mr. Somerset Maugham's story "The Vessel of Wrath".

It was resolved that this agreement be entered into and the Company's seal affixed thereto, and that a cheque be drawn for £1,500 being the first payment due under Clause 9 of the said agreement.

L.F.P.

It was reported that a letter had been received from London Film Productions Ltd. requesting the loan of Mr. Laughton's services for a further period from 31st March, 1937 to 14th April, 1937 and if necessary up to the 5th May, 1937.

It was resolved to comply with the above request and the Chairman undertook to send a letter of agreement to London Film Productions Limited.

(Sgd) F. M. GUEDALLA.

7. 4. 37.

MINUTES

of the Meeting of Directors held at 7, Park Crescent, Portland Place, W.1. on Wednesday the 7th April, 1937.

Present: Mr. F. M. Guedalla—Chairman
Mr. A. T. Chenhalls.

Attending: Mr. F. Carpenter (Secretary)

The Minutes of the Meeting held on the 9th March, 1937 were read and confirmed. [253]

"The Truth about Mrs. Brown"

An agreement dated 23rd March, 1937 for the purchase by the Company of the talking film rights of Mr. V. S. Pritchett's story "The Truth about Mrs. Brown" was laid before the Company.

It was resolved that this agreement be entered into and that the Company's seal be affixed thereto.

Deposit Account.

It was reported by Mr. Chenhalls that the £7,500 lying on Deposit Account since 21st December, 1936 had been transferred to current account with interest accrued of £16. 8. 9. on 27th March last.

(Sgd) F. M. GUEDALLA.
5. 5. 37.

MINUTES

of the Meeting of Directors held at 7, Park Crescent, Portland Place, W.1. on Wednesday the 5th May, 1937.

Present: Mr. F. M. Guedalla—Chairman
Mr. A. T. Chenhalls.

Attending: Mr. Charles Laughton.
Mr. F. Carpenter—Secretary.

The Minutes of the Meeting held on the 7th April, 1937 were read and confirmed.

Broadcast.

An Agreement dated the 5th May 1937 was laid before the Meeting for the loan of Mr. Laughton's services to J. Walter Thomson Ltd. for a broadcast engagement.

It was resolved that this Agreement be signed by Mr. Chenhalls on behalf of the Company.

(Sgd) F. M. GUEDALLA.
28. 5. 37.

MINUTES

of the Meeting of Directors held at 7, Park Crescent Portland Place, W.1. on Friday the 28th May 1937.

Present: Mr. F. M. Guedalla—Chairman
Mr. A. T. Chenhalls.

The Minutes of the Meeting held on the 5th May 1937 were read and confirmed. [254]

L.F.P.

The Chairman wished it to be recorded that, as was well known, L.F.P. as the result of a motor-car accident to Miss Merle Oberon, co-starring in the film "I Claudius" with Mr. Charles Laughton, had abandoned continuation of that production.

(Sgd) F. M. GUEDALLA.

29. 7. 37.

MINUTES

of the Meeting of Directors held at 7, Park Crescent Portland Place, W.1. on Thursday 29th July 1937.

Present: Mr. F. M. Guedalla—Chairman
Mr. A. T. Chenhalls.

The Minutes of the Meeting held on the 28th May 1937, were read and confirmed.

Overdraft.

It was reported that as the directors were of the opinion that it would be inadvisable to disturb the Company's investments, temporary accommodation with the Midland Bank Ltd. would be necessary to meet current expenditure.

It was, therefore, resolved that an application be made to the bank for an allowance of an overdraft of £5,000, and for this purpose, the £23,000 3½% Conversion Stock be charged to the bank as security.

It was resolved that the Directors be authorized to sign the necessary documents under hand instead of under seal.

Loan to Mayflower.

It was further resolved that a request from the Mayflower Pictures Corporation Ltd., for the advance of £3,500 be agreed to and that no interest be charged on this advance.

(Sgd) F. M. GUEDALLA.

14. 10. 37. [255]

MINUTES

of the Meeting of Directors held at the Falmouth Hotel, Falmouth on Saturday 21st August, 1937.

Present: Mr. F. M. Guedalla, Chairman.
Mr. A. T. Chenhalls.

The Chairman reported that definite arrangements had been concluded by himself during July and finally on the 13th August 1937 with Mr. John Maxwell that subject to written agreements being drawn up Associated British Picture Corporation Ltd. was going to invest £20,000 in Preference Shares of the Mayflower Co. subject to joint guarantees of this Company and Rosemullion upon the termination of the relationship, if Associated so wanted, to purchase back these shares at par. Associated was also acquiring 25% interest in the ordinary shares of the Mayflower Co. half of which

would be supplied by this Company and half by the Rosemullion Co. on like terms for repurchase as in the case of the preference shares. The Mayflower was to start by producing three great pictures, the stories for which had been bought and treatments of which were already done by this Company or by Mayflower with money found by this Company.

The Chairman explained the arrangements to which effect would be given when it was decided by the Board that the Chairman was to negotiate and give effect to the necessary contracts so that Associated could guarantee a loan up to £250,000 to be made by the National Provincial Bank Ltd. to the Mayflower Company (this Company not being liable in any way for recoupment) for the production in succession of three great films in which Mr. Laughton was to act the leading male role, for which purpose this Company would have to lend his services, and Mr. Pommer was to be the producer, for which purpose Rosemullion would lend Mr. Pommer's services. This Company took note of the Chairman's directorships and [256] solicitorships of Rosemullion and Mayflower and of course, of his solicitorship of Mr. Pommer and Mr. Laughton. Mr. Chenhalls also had it noted, as was known, that he was Mr. Laughton's Accountant and a director and Accountant of Mayflower.

It was contemplated and approved that there would have to be discussions hereafter between the various Companies and persons.

There would also be a series of non-Laughton films, and if the joint venture proved satisfactory to all concerned, no doubt it would lead to an extension of Agreement and much further and more intimate association together. It was considered that in times like these it was a very satisfactory transaction that the Company with its accumulated funds should now be able to take a prominent part in the British film industry.

Mr. Guedalla reported that it had been agreed that Mr. John Maxwell should become Chairman and of the "Mayflower" Company and that Mr. Jenks, Mr. Chenhalls and he should retire from the Board.

Overdraft.

A Deed of Charge in favour of the Midland Bank Ltd. of the Company's holding of £23,000 3½% Conversion Stock and a transfer of this stock to the said Bank having been signed by Mr. F. M. Guedalla and Mr. A. T. Chenhalls, the transaction was confirmed.

It was reported that owing to the absence of the Secretary, Mr. F. Carpenter on holiday, the Bank had agreed to grant the overdraft on the understanding that he would attach his signature to the said documents immediately on his return.

A copy of the Resolution passed on the 29th July 1937, was also signed by the Directors. [257]

"Vessel of Wrath".

An assignment of the Agreement dated 6th March 1937, for the purchase of the talking film rights of Mr. Somerset Maugham's story "The Vessel of Wrath" by the Company to the Mayflower Pictures Corporation Ltd. was laid before the meeting.

It was resolved that the assignment be executed and the Company's seal was affixed thereto.

(Sgd) F. M. GUEDALLA.
14/10/37.

MINUTES

of the Meeting of Directors held at 7, Park Crescent, Portland Place, W.1. on Thursday 14th October 1937.

Present: Mr. F. M. Guedalla—Chairman
Mr. A. T. Chenhalls.

Attending: Mr. F. Carpenter—Secretary.

The Minutes of the Meetings held on the 29th July and 21st August 1937 were read and confirmed.

"Service Agreement 'Mayflower' ".

An agreement dated 14th October 1937 for the loan of Mr. Charles Laughton's services to the Mayflower Pictures Corporation Ltd. was laid before the meeting.

It was resolved that this agreement be entered into by the Company and accordingly the Company's seal was affixed thereto.

(Sgd) F. M. GUEDALLA.
11/11/37.

MINUTES

of the Meeting of Directors held at 7, Park Crescent, Portland Place, W.1. on Thursday 11th November 1937.

Present: Mr. F. M. Guedalla, Chairman.
Mr. A. T. Chenhalls.

The Minutes of the Meeting held on the 14th October 1937 were read and confirmed.

Mr. Guedalla reported the number of agreements giving effect to the association of this Company with the "Mayflower" [258] Company and Rosemullion, as well as with the Associated British Pictures Corporation Ltd. and the National Provincial Bank, and the employment of the services of Mr. Laughton and Mr. Pommer in connection with the "Mayflower" Company, these all being matters constantly under discussion between all the parties, as well as the Directors of this Company, and it was formally recorded that everything that had been done was in order and was approved, without any necessity of recording all the details. Mr. Guedalla however

mentioned that it had been agreed with Mr. Maxwell that he (Mr. Guedalla) should not resign from the "Mayflower" Company but should continue to be a Director, so that the present Directors of the "Mayflower" Company are as follows:

Mr. John Maxwell (the Chairman of Associated British Pictures Corporation Ltd.) Chairman.

Mr. Pommer and Mr. Laughton—Managing Directors.

Mr. Guedalla—an Ordinary Director.

It was noted that as the preparatory work had been well in hand even before Mr. John Maxwell's association with "Mayflower" immediately Mr. Pommer had finished cutting "Vessel of Wrath" with a lay-off of two or three weeks for him, as he needed a rest, and also a necessary lay-off for Mr. Laughton, "St. Martin's Lane" was going immediately to be produced at Elstree. Also there was considerable work well in hand in connection with "Jamaica Inn", which however was going to be a very much more expensive film to be produced, especially as it entails so much location work in Cornwall.

Mr. Guedalla reported that according to his information the figures for "Vessel of Wrath" were turning out very satisfactory and he believed the film was being shot very near, if not up to schedule of shooting time. [259]

It was decided that the Company should stick to its policy (which had been its policy throughout)

never to miss the opportunity of acquiring a good story and having it treated, but it was self understood that preference should be given to "Mayflower" if "Mayflower" wished to acquire the story. After all, except for the interest of Mr. John Maxwell's Company in "Mayflower" this Company, either as subscriber or as mortgagee, was interested in "Mayflower's" success, and if successful, and if this Company, as was hoped would be paid off by Rosemullion what was lent to Rosemullion, it would be sufficiently rewarded for its moiety of interest, subject to Mr. Maxwell's 25%, of the Ordinary Shares.

(Sgd) F. M. GUEDALLA
18/11/37.

MINUTES

of the Meeting of Directors held at 7, Park Crescent, Portland Place, W.1. on Thursday 18th November 1937.

Present: Mr. F. M. Guedalla—Chairman
Mr. A. T. Chenhalls.

Attending: Mr. F. Carpenter—Secretary.

The Minutes of the Meeting held on Thursday 11th November 1937 were read and confirmed.

"Accounts".

Audited accounts for the three years ended 30th April 1935, 1936 and 1937 were laid before the Meeting.

It was resolved that these be adopted, and accordingly the accounts were signed by the two Directors.

General Meeting.

It was resolved that the Annual General Meeting of the Company be fixed for 1st December next.

(Sgd) F. M. GUEDALLA
30/11/37. [260]

MINUTES

of the Meeting of Directors held at 7, Park Crescent, Portland Place, W.1. on Tuesday 30th November 1937.

Present: Mr. F. M. Guedalla—Chairman
Mr. A. T. Chenhalls.

Attending: Mr. F. Carpenter—Secretary.

The Minutes of the Meeting held on Thursday 18th November 1937 were read and confirmed.

Conversion of Mayflower Shares.

It was reported that in accordance with a resolution passed by the Mayflower Pictures Corporation Ltd. 60,000 Ordinary shares of 5s/– each in Mayflower Pictures Corporation Ltd. were converted into 58,000 Preference shares of 5s/– each and 20,000 Ordinary shares of 1s/– each and further 80,000 Prefs. created and taken by A. B. P. C. Ltd.

Sale of Mayflower Shares.

Further it was resolved in pursuance of arrangements made with the Associated British Picture

Corporation that 2,500 ordinary shares of 1s/– each in the Mayflower Pictures Corporation Ltd. be sold at par to that Company, 2,500 for this Company and 2,500 for Rosemullion of its holding.

(Sgd) F. M. GUEDALLA.

9/12/37.

MINUTES

of the Meeting of Directors held at 7, Park Crescent, Portland Place, W.1. on Wednesday 1st December 1937.

Present: Mr. F. M. Guedalla, Chairman
Mr. A. T. Chenhalls.

Attending: Mr. F. Carpenter, Secretary.

The Minutes of the Annual General Meeting held on 1st December 1937 were read and confirmed.

"Down Donkey Row".

An Agreement dated 15th November 1937 for the purchase of the film rights of Mr. L. Ortzen's story "Down Donkey Row" was laid before the Meeting. It was resolved that this be entered into and accordingly the Company's seal was affixed thereto.

(Sgd) F. M. GUEDALLA.

9/12/37. [261]

MINUTES OF THE ANNUAL GENERAL MEETING

held at 115, Chancery Lane, W.C.2. on Wednesday 1st December 1937.

Present: Mr. F. M. Guedalla—Chairman
Mr. F. Basil Guedalla
Mr. G. D. Spyer

Attending: Mr. F. Carpenter—Secretary.

The Minutes of the Meeting held on Tuesday 30th November 1937 were read and confirmed, together with those of the 17th December 1936.

Accounts.

Accounts for the three years ended 30th April 1935, 1936 and 1937, together with the Auditor's report, were laid before the Company.

It was resolved that these be adopted by the Company.

Auditors.

It was resolved that Messrs. Price Waterhouse & Co. be re-elected auditors for the ensuing year at a fee to be arranged.

MINUTES

of Meeting of Directors held at 7, Park Crescent, Portland Place, W.1. on Thursday the 9th December 1937.

Present: Mr. F. M. Guedalla—Chairman
Mr. A. T. Chenhalls.

Attending: Mr. F. Carpenter (Secretary)

The Minutes of the Meeting held on the 1st December, 1937 were read and confirmed.

Miss Clemence Dane.

An assignment to the Mayflower Pictures Corporation Ltd. of the agreement between the Company and Miss Clemence Dane, dated 4th February, 1937 was laid before the Meeting. It was resolved that this be executed and accordingly the seal of the Company was affixed thereto.

(Sgd) F. M. GUEDALLA.
25/1/38. [262]

MINUTES

of the Meeting of Directors held at 7, Park Crescent, Portland Place, W.1. on Tuesday the 25th January, 1938.

Present: Mr. F. M. Guedalla—Chairman
Mr. A. T. Chenhalls.

Attending: Mr. F. Carpenter (Secretary)

The Minutes of the Meeting held on the 9th December, 1937 were read and confirmed.

"The Eavesdropper".

An agreement dated 19th January, 1938 between the Company and Messrs. G. H. Moresby Wright and Jerry Verno for the purchase of certain rights in their story "The Eavesdropper", was laid before the meeting.

It was resolved that this agreement be executed and accordingly the seal of the Company was affixed thereto.

Rosemullion Producers Ltd.

It was reported that Mr. Chenhalls had received a cheque for £374. 6. 6. being interest up to 31st December, 1937 on the advance of £15,000 (as reduced by repayment of £125 on 16th November, 1937) to Rosemullion Producers Ltd.

(Sgd) F. M. GUEDALLA.
5/2/38.

MINUTES

of the Directors Meeting held at 7, Park Crescent. Portland Place, W.1. on Saturday the 5th February 1938.

Present: Mr. F. M. Guedalla—Chairman
Mr. A. T. Chenhalls.

Attending: Mr. F. Carpenter (Secretary).

The Minutes of the Meeting held on the 25th January 1938 were read and confirmed.

Secretary's Salary.

It was reported and approved that as from December 5th last, Miss Hope Chenhalls, who is paid for secretarial and typewriting services by Mayflower, should be paid by this Company an additional sum of 10/– per week, subject to notice on either side, for services to the Company, it being stated that Mayflower approved.

(Sgd) F. M. GUEDALLA.

2/3/38. [263]

MINUTES

of the Directors Meeting held at 7, Park Crescent, Portland Place, W.1. on Wednesday the 2nd March, 1938.

Present: Mr. F. M. Guedalla—Chairman
Mr. Basil Guedalla.

The Minutes of the Meeting held on the 5th February, were read and confirmed.

The Board considered and approved the execution of a document for registration at Washington, U.S.A. affirming the assignment from the Company to "The Mayflower" Pictures Corporation Limited of the Agreement dated 6th March 1937 made between Mr. Somerset Maugham and the Company, and of all the Company's interest, rights and obligations thereunder.

And it was resolved that Mr. F. M. Guedalla, as a Director of the Company be authorised and em-

powered to sign such document on behalf of the Company.

25/5/38.

MINUTES

of a Meeting of Directors held at 7, Park Crescent, Portland Place, W.1. on Wednesday the 25th May, 1938.

Present: Mr. F. M. Guedalla—Chairman
Mr. A. T. Chenhalls.

Attending: Mr. F. Carpenter—Secretary.

The Minutes of the Meeting held on the 2nd March, 1938 were read and approved.

Directors.

The Secretary placed before the Board a letter from Mr. Basil Guedalla tendering his resignation as a Director of the Company and it was resolved that his resignation be and is hereby accepted.

Mr. F. M. Guedalla lodged his nomination of Mr. Gerald Douglas Spyer to be his alternate Director at any meeting of the Board at which he is unable to be present, and Mr. Chenhalls lodged his nomination of Mr. Charles Sterne Forsyth as his alternate Director for the same purpose.

It was resolved that these nominations be and are hereby approved.

It was further resolved that such alternate Directors should have the power to sign cheques under the same conditions as at present provided for in the case of Directors, and that the Company's bankers be and they are hereby authorised to honour cheques drawn by any two Directors, inclusive of alternate Directors, and countersigned by the Secretary. Mr. Carpenter was instructed to notify all parties as necessary.

(Sgd) F. M. GUEDALLA.

27/5/38.

[Endorsed]: Petitioner's Exhibit 18. Admitted in evidence June 27, 1938. [264]

RESPONDENT'S EXHIBIT "A"

Frank Joyce-Myron Selznick, Ltd.

Agency

This agency is licensed by the Commissioner of Labor of the State of California.

American Play Company, Inc.,
33 West 42nd Street,
New York City, N. Y.

May 4, 1932

Frank Joyce-Myron Selznick, Ltd.,
Equitable Building,
Hollywood, California.

Gentlemen:

In consideration of your corporation agreeing to represent me as my manager and personal repre-

sentative, your sole duties as such being to render so much of your efforts, time and services as in your opinion may be necessary for the purpose of negotiating for and endeavoring to procure engagements and employment for me in the motion picture and theatrical and vaudeville industries and places of amusement and entertainment generally and in radio broadcasting and television and for phonograph recording and for recording, reproducing and distribution by any and all mechanical means, devices and appliances which now exist or which hereafter may be used, developed or invented, I hereby employ you and agree to employ no one else to so represent me for the term of five years from the date of termination of my present contract with Paramount, or at the date of the possible cancellation of my present contract or any date I receive an adjustment over the present remuneration stipulated in the present aforesaid contract, and I hereby agree that you shall have the sole and exclusive right to sell and dispose of my services as aforesaid during the term above specified and I further agree that regardless of whether or not my services are engaged as a result of your efforts that I will pay you for your said services immediately as and when the same shall be received by me, ten per centum (10%) of all monies either directly and/or indirectly earned and/or received by me for my said services as salary, bonus, percentage, royalty, shares, commission and/or compensation both during the above

terms and after the expiration thereof for so long a period thereafter as I shall continue to be employed upon contracts for my services entered into prior to such expiration and upon renewals of such contracts, options exercised thereunder and upon new contracts entered into by me in substitution and/or replacement of such contracts. You may advertise the fact that you represent me.

I hereby irrevocably authorize and empower you to collect all checks and monies due and payable to me for my services aforesaid, to endorse my name to said checks and to deposit said checks and monies to your bank account, to retain the percentage of my said earnings due you as aforesaid and to pay over the balance to me, hereby irrevocably appointing you my attorney in fact for the aforesaid purposes. This provision is of the essence of this agreement.

[265]

In case you should institute suit against me to recover any portion of the monies to become due hereunder I agree to pay such additional sum as attorneys fees as the Court may adjudge to be reasonable.

No cancellation or waiver of this agreement shall be binding unless it be in writing and signed by both of us.

Your acceptance of this employment shall constitute a binding contract between us to the above effect.

Either of you may delegate the duties to be performed hereunder to the other of you. This contract excludes the legitimate stage.

Very truly yours,
(Sgd) CHARLES LAUGHTON

Agreed to and accepted:

FRANK JOYCE-MYRON SELZNICK, LTD.
(Sgd) MYRON SELZNICK
President.
(Sgd) FRANK JOYCE
First Vice-President.
AMERICAN PLAY COMPANY, INC.
By (Sgd) LELAND HAYWARD
Secretary. [266]

RESPONDENT'S EXHIBIT "B"

Night Cable Letter December 22, 1933
Frank Joyce
Seljoy
London

Before sailing Charles Laughton told me he could be here by May first next Stop I have arranged to postpone my starting date to coincide with this Stop Please confer with Laughton as I must know definitely and immediately whether or not he will be here for and is still anxious to and is going to play Louis Sixteenth in Marie Antoinette Stop If yes

all matters pertaining to deal including money must be settled on immediately and contract signed Stop Anticipate starting actual shooting May first and a six weeks' schedule but should have Laughton here two weeks earlier for conferences on script and building wardrobe Stop This is sent after conference Myron Volck and myself and they have copy of this cable and are going to cable you direct Merry Christmas.

THALBERG

AGV/fp

Chg. Frank Joyce-Myron Selznick, Ltd.

c/c Messrs. Selznick, Joyce, Hayward, McCormick, Deverich, Ham, Marcus, Townsend, Rockett, Bender, Midgley. [267]

RESPONDENT'S EXHIBIT "C"

Joysel — Jan. 15th, 1934

Beverly Hills — London Cable

Laughton would like to play the father in Barretts of Wimpole Street strong possibility Laughton being available April first (Stop) Important did Universal London office make suggestion Oberon or did Universal Hollywood enquire through London office

SELJOY

CC/Messrs. Selznick, Joyce (MLM)

Ham Simpson File. [268]

RESPONDENT'S EXHIBIT "D"

D12SFFG-243 CCC MRT

JB London Jan 10 1934

NLT Joysel (Frank Joyce Myron Selznick Ltd 1275 9460 Wilshire Blvd Bev Hills) (MF) BeverlyHillsCalif

Laughton states Thalberg promised send story treatment to old Vic Charlie would like to get some idea of story please airmail same soon possible stop Options at this time out of question as Charlie has too many committments with Thalberg Paramount then two pictures with Korda this year stop Your cable mention thirtyfive thousand beeing my figures to who did I quote them I did not discuss Laughton deal with Irving and quoted no price stop Irving is certainly not a man to tolerate unfairness but he is not treating [269] me fairly in this case stop Charlie is perfectly willing to do this picture and to show his good faith has cancelled all other negotiations and arranged to be available but will not be penalized to the extent of accepting thirtyfive thousand dollars stop Charlie is all at sea over the matter and requests we conduct negotiations normally and get best deal possible and favour Irving solely as he greatly admires Irving also his ability to present him properly stop Charlie must know immediately as he must arrange to get out of last part of Old Vic which will be difficult stop He also states he had a very satisfactory talk with Irving but denies he made any committments as Irving

made none and Irving clearly stated he could possibly [270] wait till February but not till May therefore Irving was not committed stop What is Irvings idea of billing

SELJOY

155AM-11 [271]

RESPONDENT'S EXHIBIT "E"

Cable London March 6 1934

Joysel
Beverly Hills Calif

Laughton deal closed Thalberg forty thousand Barretts fifty thousand Antoinette Thalberg to arrange Paramount permission stop No extension for Paramount if Laughton idle after Antoinette stop Now can you arrange transportation for three instead of two people either Paramount or Metro to pay stop According one cable from you Thalberg may not wait for Laughton for Barretts in which event Antoinette would start June first if this happens Laughton would like some payment for waiting not advance stop Will make no agency deal stop Schlay deal okay

FRANK

cc: Mr. Selznick
Mr. Volck
Mr. McCormick
Files. [272]

RESPONDENT'S EXHIBIT "F"

Registered Mail
Return Receipt Requested

March 8th, 1934

Paramount Productions, Inc.
5451 Marathon Street
Hollywood, California
Attention: Mr. Henry Herzbrun
Re: Charles Laughton

Gentlemen:

Please be advised that we, as agent and manager for our client, Charles Laughton, and pursuant to the terms of that certain agreement made the 29th day of March, 1933 between Paramount Productions, Inc. and Charles Laughton, and pursuant to the terms of Article Seventh thereof, and confirming conversations of Tuesday, March 6th and Wednesday, March 7th, with your Mr. Albert A. Kaufman and conversations of Wednesday, March 7th with Messrs. Henry Herzbrun and Jack Karp of your Legal Department, we submit to you herewith, and confirming the aforesaid conversations, formal offer made by Metro-Goldwyn-Mayer Corporation for the services of Charles Laughton for the part of 'Louis XVI' in their forthcoming production, "Marie Antoinette", to be produced by Irving Thalberg.

The starting date of Laughton's services is, as now scheduled, June 15th next and the compensation offered is Fifty Thousand Dollars ($50,000.00) for twelve (12) consecutive weeks. It is Metro-

Goldwyn-Mayer's intention to co-star Charles Laughton with Miss Norma Shearer.

Although you have advised us that it would not be necessary to file this notice in writing, we would prefer to do so for record purposes.

It is our understanding that your Mr. Kaufman is to give us your decision not later than this coming Saturday in connection with the above picture for Metro-Goldwyn-Mayer, as to whether you will approve Mr. Laughton making this picture for Metro-Goldwyn-Mayer or whether you intend to meet the terms and conditions for a picture for yourselves.

Yours very truly,

FRANK JOYCE-MYRON SELZNICK, LTD.

By A. GEORGE VOLCK

Vice President [273]

AGV/fp

RESPONDENT'S EXHIBIT "G"

Paramount Productions, Inc.
Producer of
Paramount Pictures

5451 Marathon St. Hollywood, Calif.
Telephone Hollywood 2411
Cable Address "Famfilm"

Office of
Henry Herzbrun
Resident Attorney

March 15, 1934

Frank Joyce-Myron Selznick, Ltd.
9460 Wilshire Boulevard,
Los Angeles, California

Re: Charles Laughton

Gentlemen:

Confirming our oral advice to you of today as follows, you are advised that in response to your communication of March 8, 1934, the undersigned Corporation hereby accepts the terms of the offer which Mr. Charles Laughton has received from Metro-Goldwyn-Mayer Corporation as stated in your said communication and as thereby submitted to the undersigned Corporation.

Pursuant to Paragraph SEVENTH of the agreement between the undersigned Corporation and Mr. Laughton dated the 29th day of March, 1933, we will accordingly immediately prepare a contract with respect to such additional motion picture em-

bodying the terms set forth in your communication, to be executed by the undersigned Corporation and Mr. Laughton, as in said paragraph of said agreement between the undersigned Corporation and Mr. Laughton provided.

Yours very truly,
PARAMOUNT PRODUCTIONS, INC.
By (Signed) HENRY HERZBRUN
Assistant Secretary

HH-la [274]

RESPONDENT'S EXHIBIT "H"

Copy of Cable Received 20th March 1934.

ZMA2 LX96 NewYork 36 20

NLT Laughton Bury Court Germyn Street London Congratulations big shot Paramount has met your Metro deal stop We notified Paramount they must also meet other than financial terms also stop Will keep you informed

FRANK [275]

RESPONDENT'S EXHIBIT "I"

NLT April 13 1934
Charles Laughton
London England

Dear Charlie Paramount today agreed you could do Barretts and Antoinette provided that at ex-

piration Antoinette you give Paramount period of five months in which to make their picture already contracted for plus one additional picture on same terms as Antoinette namely fifty thousand stop Paramount expects do Cagliostro with Lubitsch if Lubitsch approves story and Kiplings man who would be king if they can make deal with Kipling however Kipling insists he must okeh continuity stop We feel it advisable accept this arrangement stop Believe Paramount will advance ten thousand dollars now if this agreed to also transportation for two stop Thalberg extremely anxious you report quickly as possible and in no event later than May eighth stop Thalberg will guarantee Elsa four weeks at twelve fifty weekly for what he says important part Antoinette stop As this setup would mean you would be tied up on Metro and two Paramount pictures until about February next year am wondering if this agreeable to Korda and would his consent have to be obtained stop Am cabling Votion see you and discuss this whole matter and urge quick reply and if agreeable what is earliest date you could report Thalberg for Barretts Kindest regards

McCORMICK

cc * Messrs. Selznick, Joyce, Marcus. [276]

RESPONDENT'S EXHIBIT "J"

NLT Cable April 15, 1934

Charles Laughton
Burycourt Germyn Street
London

Dear Charlie this selling down the river talk astounds me (stop) Have had no deal in office since its inception on which more time has been expended by Volck McCormick and myself than your Paramount Metro complication (stop) Charlie have you forgotten you closed deal over transatlantic phone with Thalberg in presence Eckman for Barretts and Antoinette (stop) You may not consider this a deal but studio emphatically does and have proceeded accordingly in preparing scripts spending considerable money on this assumption (stop) Further Charlie I feel Antoinette such splendid part for you it would be pity give it up (stop) Do you further realize Paramount proceeding on your request for Lubitsch granted extension and put writers to work on Cagliostro after you approved it (stop) Even if Metro deals could be kicked over and you reported Paramount in May this would mean rushing some script together with possibility mediocre director and may be another white woman (stop) After all Charlie your contract does not give you approval story director or script and Paramount would be within their rights to indefinitely suspend you should you refuse go ahead with whatever they selected and enjoin you from working

for any other company (stop) Assure you we have done every possible thing protect your interests and try work this out your best advantage and to get you assignments you asked for despite fact we have actually jeopardized our personal relationship with both studios over this whole matter (stop) Further you must realize that your seven picture limit deal with Korda makes whole situation even more difficult (stop) Have notified David Selznick you not interested Copperfield (stop) Please show this Votion discuss it from all angles but keep in mind your contractual obligations then cable us exactly how you want to proceed so we can close this matter up because you must bear in mind that Barretts is now in production cast engaged and you will have to decide immediately your attitude on this stop Love Elsa yourself

MYRON

cc Messrs. Joyce (MLM), Deverich, Midgley, Marcus. [277]

RESPONDENT'S EXHIBIT "K"

NLC. April 17, 1934

Charles Laughton
Burycourt
Germyn Street
London England

Dear Charles Laughton as per your desires have arranged with Mister Zukor for you to do Barretts

and Antoinette without additional picture for Paramount except contract one the date for Paramount picture to be arranged at mutually agreeable time stop Have noted your request to Selznick on Barretts but unfortunately cannot comply with that now as have accepted your commitment as final and obligated myself to Zukor and others on your own desire to play part in which I am positive you will be splendid stop Part will run only short time and can arragne to give you as much rest as you desire between Barretts and Antoinette will appreciate your confirming by cable so that there are no further misunderstandings following commitments Barretts starting May eighth followed by Antoinette which will start no sooner than four weeks after completion Barretts or up to eight weeks if you request stop Kindest regards

IRVING THALBERG

c.c. Mr. McCormick, File. [278]

RESPONDENT'S EXHIBIT "L"

Night Letter Cable April 24th, 1934.

Seljoy

London

We understand from Thalberg Laughton sailing May fifth Berengenia please confirm (stop) How was transportation handled regards

JOYSEL

cc-Messrs. Selznick, Joyce, McCormick. [279]

RESPONDENT'S EXHIBIT "M"

April 30th, 1934

Mr. McCormick Charles Laughton

We have cabled today as follows:
"Thalberg says imperative Laughton sail Berengaria otherwise picture will be held up".

SIG MARCUS
Executive Office

SM:bb
cc-Miss Mobley [280]

RESPONDENT'S EXHIBIT "N"

1934 Apr 14 PM 9 43

FD219 209 CCC 1/50
London 14 Nft
Nlt Joysel
(Frank Joyce-Myron Selznick Ltd., 9460 Wilshire Blvd.)-(EB)
BeverlyHillsCalif

Tell McCormick Laughton nightlettered Thalberg as follows quote this suggested arrangement whereby in order to do Barretts and Antoinette I am obligated to give Paramount another picture at same terms as Antoinette is impossible stop For one thing it prevents me from meeting my obligation to Korda [281] as I must make a film for him this year and for another thing it further postpones my realizing my market value to a still later date also as you know I have very good reasons for not want-

ing to do any further pictures for Paramount stop As when I [282] agreed to the postponement of my starting date of my last picture with Paramount I had already understood from you on the telephone you had settled the matter my only course of action seems to be to revoke my agreement to that postponement hold myself available for them May eighth [283] and get their contract over with stop It seems to me the only alternative is to forget Barretts and do Antoinette if there are no conditions from Paramount for that unquote stop Laughton arrived at above decision after lengthy discussion please try cable urgent everything in order furthermore if Barretts definitely out suggest Sir Cedric Hardwick for this

SELJOY. [284]

Copies—Messrs. Selznick, Joyce (MLM), Marcus, Herzbrun, McCormick.

Frank Joyce-Myron Selznick, Ltd.
& Leland Hayward, Inc.

INTER-OFFICE COMMUNICATION

To: Mr. Myron Selznick
Subject: Charles Laughton Date 5/14/34

Starting at MGM in "Barretts of Wimpole Street" on May 15, 1934, at $8,000.00 per week.
Guarantee, 5 weeks guarantee for total of $40,000.00—pro-rata thereafter.

LOVETT
(initialled) [285]

BC

RESPONDENT'S EXHIBIT "P"

Frank Joyce-Myron Selznick, Ltd.
Inter-Office Communication

To: Messrs. McCormick, Deverich, Ham, Townsend, Bender, Simpson.

Date May 15th, 1934.

Subject: Charles Laughton

We have been advised that Mr. Charles Laughton has entered into a contract with an English Corporation known as Motion Picture & Theatrical Industries Ltd., in accordance with which Mr. Laughton is required to render his services exclusively to that Corporation.

The aforesaid Corporation will lend the services of Mr. Laughton to motion picture producers here and contracts for Laughton's services must be signed by the Corporation or by their Power-of-Attorney, Mr. Loyd Wright.

The directors of the Corporation are:

Mr. Florance Montefiore Guedalla,
Mr. Ronald Harry Shipley,
Mr. Francis Basil Guedalla,

and the Secretary is:

Mr. William C. Oswald.

Their address is:

6 Talbot House,
98 St. Martins' Lane,
London.

Their cable address is Guedalla, London.

Any monies we collect for Laughton should be paid to the Corporation's account at the Bank of America, although this brings up a difficulty in that the producer here will probably make its checks payable to the Corporation from whom they borrow Laughton, consequently, our Power-of-Attorney will not permit us to negotiate such checks. However, we are advised that Laughton's Corporation will instruct the Bank of America to pay our commissions over to us should this be necessary.

The Laughton Corporation requires that no contract be made for Laughton before its principal terms have been accepted by the Corporation.

Mr. Loyd Wright has received copies of the Articles of Incorporation of the Corporation in the event any producers or any local bank requires to see the same.

SIG MARCUS

Executive Office

SM:f

cc to Messrs. Selznick, Joyce,
Hayward, Lovett, Midgley. [286]

RESPONDENT'S EXHIBIT "Q"

May 18th, 1934

Nite Letter Cable
Seljoy
London

Laughton signed exclusive contract with corporation called Motion Picture and Theatrical Industries Limited in accordance with which all studio employ-

ment contracts must be drawn between studio and above corporation (Stop) Consequently Laughtons checks will be made payable to said corporation which will prevent us from using our power attorney to deduct commissions unless we have separate power attorney signed by said corporation (Stop) They advise however they agreeable instruct Bank America pay us our percentage direct (Stop) Contact immediately Guedalla Company Grand Buildings Trafalgar Square who are directors Laughtons corporation and arrange they instruct Bank America immediately pay us commissions on Laughton salary checks as deposited. Advise. Regards.

JOYSEL

SM:bb

cc Messrs. Selznick, Joyce, Hayward,
McCormick, Accounting Department. [287]

RESPONDENT'S EXHIBIT "R"

The Clift
Geary at Taylor St.
San Francisco
Air Mail SS "Normandie"
July 10, 1936.

Charles Laughton, Esq.,
34 Gordon Square,
London, W.C.L., England.

Dear Charles:

The following is the position. I saw Loyd Wright for the last time Wednesday night.

I put up several propositions to Irving Thalberg's attorneys, but the one I aimed at getting through is based on one of your own. It is that Irving Thalberg agrees to take up all three years' options at once, i.e., that you definitely have seven pictures to do with him. That the total *renumeration* under your M.G.M. agreement should be added up, divided by seven, fixing an annual sum PAYABLE OVER SEVEN YEARS. That this annual sum should then be divided by 52, fixing the amount you are to receive every week as from the signing of a new contract.

My suggestion is that the new contract should be made by the London Subsidiary of M.G.M. with you personally (instead of M.G.M., Culver City, with Motion Pictures Ltd.). That is to say you would be on the payroll of M.G.M., London for seven years in respect of making seven pictures during 1937, 1938 and 1939. I put it to Thalberg three of these seven pictures should be made by you and him in England. I gained the impression from him that he is not only willing but keen to come to England on such a basis. From the tax standpoint it would be an advantage, as I am of the opinion that for American taxes you could be assessed only on those weeks' *renumeration* you spend working on the other four films to be [288] made in America. This is the most important of the tax points and Loyd Wright and his income tax assistant, Green, are in agreement with me.

On the other hand, Loeb, Thalberg's attorney, says he must obtain the opinion of counsel in Washington and this he will not be able to do until next month.

If these ideas commend themselves to you and then go through on these lines, there are obviously several other points to be brought up. For instance:

(1) I suggested to *Thablerg* that you might make even more than the seven pictures you had contracted to do.

(2) If so, Myron Selznick will be *wating* to get you for such extra pictures at much higher remuneration. (I saw Harry Ham on this.)

(3) The idea of making a contract with you instead of your Company is warmly welcom*b*ed by Loeb, who hates all these companies, and if they make this a condition, and I am against the company because it costs extra American taxes, the question arises as to whether your company is worth keeping in existence at all.

(4) Factors like the payment by M.G.M. direct of *you* commission to Myron Selznick will have to be covered.

(5) A most important point is what liberty you are to enjoy for making outside pictures &c. during the three years. This is a matter primarily for Myron Selznick, but I am mentioning it to you now as you will be more up to date re Korda, your own and

his future. You will know better the time Thalberg is likely to take to make seven pictures; the other plans you have in mind &c.

I wish I could write as enthusiastically on the past. [289]

My calculation of the American income tax you owe to date is $58,000. This is based on the assumption (with which Green agrees) that your setup for American tax purposes will go down all along the line. The American tax bases and rates just imposed are much worse than ever and I took advantage of being with Loyd Wright to get on with clearing the Bank balance out of California, which he has recommended in a dozen letters. At the last moment, however, he was of the opinion that about $50,000 should be left here to cover this anticipated income tax claim, but I do not think he would object if I brought that over too provided it was specifically invested so that he could have it back to meet the tax when it *crystalizes* next year. Towards claiming every possible expense, I suggested settling every bill which the company owes to date, drawing checks on the American account even for amounts which at this particular moment have to be estimated. (Such then being allowed against both American and English taxes.) They include checks drawn to settle the fees and disbursements of Loyd Wright, Shipley, Guedalla and myself, but as Loyd Wright was set-

tled to the beginning of this year; Guedalla has had, I believe, something on account, and I certainly have (Elsa paid me £200) I will make a general sort-out on my return.

I have accordingly stipulated that none of these checks are to be presented unless and until they are okayed by you and Guedalla, but I insisted on their being drawn as the correspondence is full of Loyd Wright making suggestions, the carrying out of which has been deferred and deferred. The check for balance investment out of America will be £8000 (or, with tax reserve, £18,000).

While I was about it, I read the whole of the correspondence, Loyd Wright's and Myron Selznick's and [290] also inspected Laird's books. I will tell you about these on my return, so as not to make this letter any longer.

I return to England by S.S. "Empress of Britain" leaving Quebec three weeks hence.

All the best to you and Elsa,

Yours,

(Sgd) ALFRED C.

[Endorsed]: Respondent's Exhibit "R". Admitted in evidence June 27, 1938. [291]

In the United States Circuit Court of Appeals for the Ninth Circuit

B.T.A. Docket 88104

GUY T. HELVERING,
Commissioner of Internal Revenue,
Petitioneer on Review,

v.

CHARLES LAUGHTON,
Respondent on Review.

STATEMENT OF POINTS

Comes now the petitioner above-named by Samuel O. Clark, Jr., Assistant Attorney General of the United States, his attorney, and complying with the rules of this Court submits the following statement of points upon which petitioner relies in this case:

The United States Board of Tax Appeals erred—

1. In holding that there are deficiencies in income tax for the years 1934 and 1935 in the respective amounts of only $289.66 and $264.22.

2. In failing to hold that there are deficiencies in income tax for the years 1934 and 1935 in the respective amounts of $23,160.03 and $81,270.24.

3. In holding that Motion Picture and Theatrical Industries, Ltd., is an entity separate and apart from the taxpayer.

4. In holding that the corporate entity of Motion Picture and Theatrical Industries, Ltd., must be recognized.

5. In holding that the amounts paid by Metro-

Goldwyn-Mayer Corporation, Paramount Productions, Inc., and Twentieth Century Pictures, Inc., for taxpayer's services were income of Motion Picture and Theatrical Industries, Ltd., and not taxable to taxpayer.

6. In failing to hold that on the facts an exceptional situation is here presented where the recognition of the corporate entity of Motion Picture and Theatrical Industries, Ltd., presents an obstacle to the due protection and enforcement of public rights. [292]

7. In failing to hold that the amounts paid by Metro-Goldwyn-Mayer Corporation, Paramount Productions, Inc., and Twentieth Century Pictures, Inc., for taxpayer's services are taxable to him.

8. In failing to hold that the arrangement between the taxpayer, Motion Picture and Theatrical Industries, Ltd., and Metro-Goldwyn-Mayer Corporation, Paramount Productions, Inc., and Twentieth Century Pictures, Inc., was an anticipatory arrangement designed to prevent the amounts paid for taxpayer's services from vesting immediately in taxpayer.

9. In failing to hold that the purpose of Congress to tax payments for services to the party performing such services cannot be frustrated by such anticipatory arrangement whether it be designated a transfer of future income or future services.

10. In failing to hold that the personal earnings of the taxpayer are taxable in their entirety to him.

11. In failing to hold that the amounts paid

by Metro-Goldwyn-Mayer Corporation, Paramount Productions, Inc., and Twentieth Century Pictures, Inc., for taxpayer's services represented compensation for personal service taxable to him.

12. In failing to hold that the amounts paid by Metro-Goldwyn-Mayer Corporation, Paramount Productions, Inc., and Twentieth Century Pictures, Inc., for taxpayer's services are taxable to the taxpayer under Section 45 of the Revenue Act of 1934.

13. In holding that Motion Picture and Theatrical Industries, Ltd., was formed for a business purpose.

14. In failing to hold that Motion Picture and Theatrical Industries, Ltd., was not formed for a business purpose. [293]

15. In failing to hold that Motion Picture and Theatrical Industries, Ltd., did not serve a business purpose in connection with the income received during the taxable years in question.

16. In that its decision was not supported by the evidence and is contrary to law.

Respectfully submitted,

(Signed) SAMUEL O. CLARK, JR.
Assistant Attorney General,
Attorney for Petitioner.

Service of a copy of the above statement of points is hereby acknowledged this 23rd day of December.

(Signed) JOHN B. MILLIKEN
Attorney for Respondent.

[Endorsed]: U.S.B.T.A. Filed Dec. 27, 1939.

[294]

In the United States Circuit Court of Appeals
for the Ninth Circuit

[Title of Cause.]

MOTION TO TRANSMIT EXHIBITS PHYSICALLY

To the Honorable Judges of the United States Circuit Court of Appeals for the Ninth Circuit:

Now Comes the petitioner on review by his attorneys, Samuel O. Clark, Jr., Assistant Attorney General, and J. P. Wenchel, Chief Counsel, Bureau of Internal Revenue, and

Moves the Court to order that Exhibits B and C attached to the Stipulation of facts, which exhibits are to be specified in the designation of contents of record, need not be printed in the record on review, and the Clerk of the United States Board of Tax Appeals be directed to transmit the originals of said exhibits, to the Clerk of this court, to be produced at the hearing of this cause for the benefit of the court and counsel; and further moves the court to order that the Clerk of this court transmit a certified copy of this order to the Clerk of the Board of Tax Appeals.

And For cause of this motion, petitioner on review says that Exhibit B attached to the stipulation of facts is a printed copy of the [295] British Companies Act, 1929, consisting of 313 pages; that Exhibit C attached to the stipulation of facts is a printed copy of Memorandum and Articles of Asso-

ciation of Motion Picture and Theatrical Industries, Limited, containing 44 pages; and that these exhibits would be quite expensive to print or to reproduce and their inclusion in the printed record on review would result in considerable unnecessary expense, and the purpose of these exhibits would appear to be served by their transmission in physical form.

Wherefore, it is prayed that this motion be granted.

(s) SAMUEL O. CLARK, Jr.,
Assistant Attorney General.
(s) J. P. WENCHEL,
Chief Counsel,
Bureau of Internal Revenue.

No objection:

(s) JOHN B. MILLIKEN,
(s) HERSCHEL B. GREEN,
(s) HARRIET GEARY
Counsel for Respondent on Review.

So Ordered:

FRANCIS A. GARRECHT,
U. S. Circuit Judge.

[Endorsed]: Filed: December 19, 1939. Paul P. O'Brien, Clerk.

A True Copy:

Attest: December 19, 1939.

[Seal] (s) PAUL P. O'BRIEN.
Clerk.

[Endorsed]: U.S.B.T.A. Filed Dec. 26, 1939.

[296]

In the United States Circuit Court of Appeals
for the Ninth Circuit

[Title of Cause.]

DESIGNATION OF CONTENTS OF RECORD.

To the Clerk of the United States Board of Tax Appeals:

Now Comes Guy T. Helvering, Commissioner of Internal Revenue, the petitioner on review herein, by and through his attorneys, Samuel O. Clark, Jr., Assistant Attorney General, and J. P. Wenchel, Chief Counsel, Bureau of Internal Revenue, and for the purpose of the review which he, the said petitioner on review, has heretofore taken to the United States Circuit Court of Appeals for the Ninth Circuit, hereby designates for inclusion in the record on review the following:

1. Docket entries.
2. Pleadings
 (a) Amended Petition
 (b) Answer to Amended Petition
3. Findings of fact, opinion, and decision of the Board.
4. Petition for Review together with notices of filing thereof.
5. Statement of Evidence, including taxpayer's exhibits 1 to 18, inclusive, and Commissioner's exhibits A to R, inclusive; and including Stipulation of Facts together with exhibits A to L, inclusive. Said exhibits B and C attached to the Stipulation of Facts are

to be transmitted in physical form pursuant to order of Court. [297]

6. Said Court Order.
7. This designation.

Wherefore, it is requested that a copy of the record as above designated be prepared and transmitted to the United States Circuit Court of Appeals for the Ninth Circuit in accordance with the rules of said Court.

(Sgd) SAMUEL O. CLARK, Jr.
Assistant Attorney General

(Signed) J. P. WENCHEL
RLW
Chief Counsel,
Bureau of Internal Revenue.

Service of a copy of the within designation of contents of record on review is hereby admitted and the contents so designated agreed to this 21 day of December, 1939.

(Sgd) JOHN B. MILLIKEN
C A L
Attorney for Respondent on Review.

[Endorsed]: U.S.B.T.A. Filed Dec. 21, 1939.

[298]

[Title of Board and Cause.]

CERTIFICATE

I, B. D. Gamble, clerk of the U. S. Board of Tax Appeals, do hereby certify that the foregoing pages, 1 to 298, inclusive, contain and are a true copy of the transcript of record, papers, and proceedings on file and of record in my office as called for by the Praecipe in the appeal (or appeals) as above numbered and entitled.

In testimony whereof, I hereunto set my hand and affix the seal of the United States Board of Tax Appeals, at Washington, in the District of Columbia, this 27th day of December, 1939.

[Seal] B. D. GAMBLE
Clerk.
United States Board of Tax Appeals.

[Endorsed]: No. 9413. United States Circuit Court of Appeals for the Ninth Circuit. Commissioner of Internal Revenue, Petitioner, vs. Charles Laughton, Respondent. Transcript of the Record. Upon Petition to Review a Decision of the United States Board of Tax Appeals.

Filed January 4, 1940.

PAUL P. O'BRIEN,
Clerk of the United States Circuit Court of Appeals for the Ninth Circuit.

In the United States Circuit Court of Appeals
for the Ninth Circuit

U.S.C.C.A. No. 9413
B.T.A. Docket 88104

GUY T. HELVERING, Commissioner of Internal Revenue,

Petitioner on Review.

vs.

CHARLES LAUGHTON,

Respondent on Review.

DESIGNATION OF PORTIONS OF THE RECORD TO BE PRINTED.

Comes Now the petitioner above-named by Samuel O. Clark, Jr., Assistant Attorney General of the United States, his attorney, and complying with the rules of this Court, pertaining to the designation of the portion of the record to be printed, states that he relies upon the entire record certified by the Clerk of the Board of Tax Appeals to this Court, and directs that said record so certified be printed as the record on appeal, except, however, Exhibits B and C attached to the Stipulation of Facts are to be transmitted physically to this Court and are not to be printed in accordance with the order of this Court; and with respect to respondent's Exhibits D, E, I, J, K, N and Q, being cablegrams on Postal Telegraph or Western Union forms, it is

directed that only the typewriting on those forms, that is, the cablegrams themselves, excluding any part of the form or printed instructions on the back of the form, be printed.

Respectfully submitted,

SAMUEL O. CLARK, Jr.,
Assistant Attorney General,
Attorney for Petitioner.

Consented to:

JOHN B. MILLIKEN,
Attorney for Respondent.

[Endorsed]: Filed Jan. 4, 1940. Paul P. O'Brien, Clerk.

No. 9413

In the United States Circuit Court of Appeals for the Ninth Circuit

COMMISSIONER OF INTERNAL REVENUE, PETITIONER

v.

CHARLES LAUGHTON, RESPONDENT

ON PETITION FOR REVIEW OF DECISION OF THE UNITED STATES BOARD OF TAX APPEALS

BRIEF FOR THE PETITIONER

SAMUEL O. CLARK, Jr.,
Assistant Attorney General.
SEWALL KEY,
HOWARD D. PACK,
Special Assistants to the Attorney General.

FILED
MAR - 9 1940
PAUL P. O'BRIEN,

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In the United States Circuit Court of Appeals for the Ninth Circuit

No. 9413

COMMISSIONER OF INTERNAL REVENUE, PETITIONER

v.

CHARLES LAUGHTON, RESPONDENT

ON PETITION FOR REVIEW OF DECISION OF THE UNITED STATES BOARD OF TAX APPEALS

BRIEF FOR THE PETITIONER

OPINION BELOW

The opinion of the Board of Tax Appeals (R. 21–33) is reported in 40 B. T. A. 101.

JURISDICTION

This appeal involves income taxes for the years 1934 and 1935, and is taken from the decision of the Board of Tax Appeals entered September 11, 1939 (R. 33–34). The case is brought to this Court on a petition for review filed November 28, 1939 (R. 35–42), pursuant to the provisions of Sections 1141–1142 of the Internal Revenue Code.

QUESTION PRESENTED

Whether amounts paid by motion picture producers to taxpayer's wholly owned corporation, to which he

had sold his exclusive services, constitute taxable income to the taxpayer.

STATUTE AND REGULATIONS INVOLVED

The statute and regulations involved are set forth in the Appendix, *infra,* pp. 23–24.

STATEMENT

The relevant facts, as found by the Board of Tax Appeals, are as follows (R. 22–29):

The taxpayer, Charles Laughton, is a motion picture actor well known in both Great Britain and the United States. At all times pertinent to this proceeding he was a subject of Great Britain and a resident of and domiciled in England. (R. 22–23.)

On May 4, 1932, the taxpayer executed a five-year contract with Frank Joyce-Myron Selznick, Ltd., which authorized them to act as his manager and personal representative. During 1932, the taxpayer came to the United States and was engaged in making four pictures for the Paramount-Publix Corporation, predecessor of Paramount Productions, Inc. He also made one picture for the Universal Pictures Corporation during 1932 under a loan of his services by Paramount-Publix to Universal. (R. 23.)

On March 29, 1933, the taxpayer entered into a contract with Paramount Productions, Inc., hereinafter referred to as Paramount, under the terms of which one picture, "White Woman," was produced in that year. Paragraph Twelfth of said contract provided in part as follows (R. 23):

> The Artist hereby grants to the Corporation an option upon the Artist's exclusive services in

> one (1) motion picture photoplay to be produced between April 15, 1934, and September 15, 1934, at the salary and at the rate of Three Thousand ($3,000.00) Dollars per week for not less than five (5) weeks for his services in such production.

Under date of September 15, 1933, Paramount notified the taxpayer that it elected to exercise the foregoing option. (R. 23.)

After completing the picture, "White Woman", the taxpayer returned to England, and on April 30, 1934, a corporation bearing the name of "Motion Picture and Theatrical Industries, Limited," hereinafter referred to as Industries, Ltd., was organized under and by virtue of the laws of Great Britain, and specifically under the English Companies' Act of 1929. As set forth in its memorandum of association, the objects for which the company was established were to engage in the motion picture and theatrical businesses or any business incidental or related thereto. (R. 24.)

The principal place of business of Industries, Ltd., has been at all times since its formation and now is London, England. During the taxable years it was managed by a board of directors composed of businessmen. The taxpayer was not a member of the board of directors, nor was he an officer of the company, although he was the real beneficial owner of all its outstanding stock, except qualifying shares, for which he paid into the company £6,000 or approximately $30,000. (R. 24.)

On May 4, 1934, taxpayer and Industries, Ltd., executed a contract in London, whereby, in return for the payment of £150 or approximately $750 per week for the next five years thereafter, together with the pay-

ment of certain other expenses, taxpayer agreed to give his sole and exclusive services to Industries, Ltd., subject always to the primary obligations of a contract entered into February 26, 1934, and then existing between taxpayer and London Film Productions, Ltd., whereby taxpayer was to make three pictures for the latter company. The taxpayer agreed to assign the profits and any moneys arising from the latter agreement and his right to 10 percent of the gross receipts from the photoplay "The Private Life of Henry VIII" to Industries, Ltd., as part of the consideration for the contract of May 4, 1934. Industries, Ltd., agreed to assume the obligations of the taxpayer under his contract of May 4, 1932, with Frank Joyce-Myron Selznick, Ltd. Paragraph 15 of taxpayer's agreement with Industries, Ltd., provided as follows (R. 25):

> Nothing in this Agreement shall be contrary to the proposition that from time to time it is contemplated that the Employer itself will be engaging in motion picture or theatrical activities in the British Isles in connection with which it shall employ the Employee and in no case will it engage in any motion picture or theatrical activities in which there shall be a male principal part without employing the Employee in the enactment thereof unless the Employee expressly and in writing shall assent to the Employer in any such activities employing some other actor.

On May 5, 1934, taxpayer sailed for the United States. On May 14 he reached Los Angeles and immediately commenced work as an actor in "The Barretts of Wimpole Street" for Metro-Goldwyn-Mayer under

a pending loan agreement which was finally executed between Metro-Goldwyn-Mayer and Industries, Ltd., on July 6, 1934. The agreement became effective as of May 14, 1934, provided for taxpayer's appearance in "The Barretts of Wimpole Street" and "Marie Antoinette", and permitted him to appear in one photoplay for Paramount. Metro-Goldwyn-Mayer paid Industries, Ltd., for the services performed by the taxpayer under the loan agreement $45,333.33 during 1934 and $119,230.76 during 1935. (R. 25–26.)

On July 5, 1934, the contract of March 29, 1933, between taxpayer and Paramount was canceled by mutual consent, and on the same day Industries, Ltd., entered into an agreement with Paramount relative to the services of the taxpayer. This contract and the contract of Industries, Ltd., with Metro-Goldwyn-Mayer were both acknowledged by taxpayer in a separate writing, attached to each contract, wherein he obligated himself, individually, to render the services agreed upon by the studios and Industries, Ltd. Subsequent contracts and modifications of existing contracts for the loan of Laughton's services by Industries, Ltd., were likewise acknowledged by the taxpayer. (R. 26.)

Under the loan agreement with Paramount taxpayer performed in "Ruggles of Red Gap", and Paramount paid Industries, Ltd., for such services the sums of $48,000 in 1934 and $6,000 in 1935. (R. 26.)

On December 21, 1934, Industries, Ltd., contracted for the loan of Laughton's services to Twentieth Century Pictures, Inc. During 1935 Industries, Ltd., received $65,000 from Twentieth Century Pictures, Inc.,

for the services rendered the latter company by taxpayer. (R. 27.)

Each of the three studios aforementioned deducted and withheld from the amounts that were to be paid to Industries, Ltd., the sums prescribed as income tax to be withheld at the source under the provisions of Section 144 of the Revenue Act of 1934. The sums so deducted were paid over to the Collector of Internal Revenue by the studios in the amounts and for the years as follows (R. 27):

	1934	1935
Metro-Goldwyn-Mayer	$6,233.33	$16,394.24
Paramount Productions, Inc	6,600.00	825.00
Twentieth Century Pictures, Inc	---------	8,937.50
Total	12,833.33	26,156.74

Industries, Ltd., filed its federal corporation income and excess profits tax returns for 1934 and 1935 showing net income of $46,255.60 and $143,618.53 for 1934 and 1935, respectively. As to each year the return shows that the income tax due was less than the amount withheld by the studios; the overpayment shown on each return amounted to $6,473.18 for 1934 and $6,409.19 for 1935. (R. 27.)

Industries, Ltd., filed capital stock tax returns for the fiscal years ended June 30, 1934, 1935, and 1936, and claimed exemption from payment of the capital stock tax. After the claimed exemption was denied, Industries, Ltd., paid a capital stock tax for each of the years. (R. 27–28.)

The taxpayer reported the salary he received from Industries, Ltd., for the taxable years 1934 and 1935, amounting to $32,811.66 and $22,419.09, respectively, and paid the income tax due thereon to the Federal

Government, and paid an income tax to the State of California for the year 1935. (R. 28.)

Industries, Ltd., filed claims for refund for the amount of tax withheld by the studios over and above the amounts shown as due on its income tax returns for 1934 and 1935. Additional claims for refund were filed by Industries, Ltd., for the refund of all the corporation's income tax withheld from it and paid to the Collector by the studios in order to protect the corporation's interest in the event that this proceeding should result in the taxation of income to taxpayer. Claims for refund were also filed for the capital stock tax paid for the fiscal years. Subsequent to the taxable years and in 1937 the Bureau of Internal Revenue denied the claims for refund as to capital stock tax. (R. 28.)

During the first year of its existence, May 1, 1934, to April 30, 1935, Industries, Ltd., loaned taxpayer $22,520 and during the second year it made additional loans to the taxpayer amounting to $78,625. The loans in the first year were made because of the extra expense to the taxpayer of maintaining living quarters in Hollywood and London simultaneously. The loans made in the second year were nearly all spent in the purchase of a leasehold in London and a valuable painting. These loans were amply secured by the assignment of life insurance policies amounting to $100,000 and by the leasehold. (R. 28–29.)

Industries, Ltd., was organized for a business purpose. During the taxable years the company began gathering material and preparing for future production. In December, 1935, it acquired an option on a

play called "The First Gentleman". It did not begin production of pictures in the taxable years, on account of lack of funds. Subsequent to the taxable years and after the company had accumulated sufficient capital it actively engaged in production either on its own account or through a subsidiary company. (R. 29.)

STATEMENT OF POINTS TO BE URGED

The United States Board of Tax Appeals erred:

1. In holding that there are deficiencies in income tax for the years 1934 and 1935 in the respective amounts of only $289.66 and $264.22.

2. In failing to hold that there are deficiencies in income tax for the years 1934 and 1935 in the respective amounts of $23,160.03 and $81,270.24.

3. In holding that the corporate entity of Industries, Ltd., must be recognized.

4. In holding that the amounts paid by Metro-Goldwyn-Mayer Corporation, Paramount Productions, Inc., and Twentieth Century Pictures, Inc., for taxpayer's services, to Industries, Ltd., did not constitute taxable income to taxpayer.

5. In failing to hold that on the facts an exceptional situation is here presented where the recognition of the corporate entity of Industries, Ltd., presents an obstacle to the due protection and enforcement of public rights.

6. In failing to hold that the arrangement between the taxpayer, Industries, Ltd., and Metro-Goldwyn-Mayer Corporation, Paramount Productions, Inc., and Twentieth Century Pictures, Inc., was an anticipatory arrangement designed to prevent the amounts paid

for taxpayer's services from vesting immediately in taxpayer.

7. In failing to hold that the purpose of Congress to tax payments for services to the party performing such services cannot be frustrated by such anticipatory arrangement whether it be designated a transfer of future income or future services.

8. In failing to hold that the personal earnings of the taxpayer are taxable in their entirety to him.

9. In failing to hold that the amounts paid by Metro-Goldwyn-Mayer Corporation, Paramount Productions, Inc., and Twentieth Century Pictures, Inc., for taxpayer's services represented compensation for personal service taxable to him.

10. In holding that Industries, Ltd., was formed for a business purpose.

11. In failing to hold that Industries, Ltd., did not serve a business purpose in connection with the income received during the taxable years in question.

SUMMARY OF ARGUMENT

The income in question was paid solely for, and earned exclusively by, the personal services of the taxpayer, although not received by him. The fact that the compensation for taxpayer's services was paid, pursuant to contractual arrangements, directly to Industries, Ltd., does not relieve taxpayer of the liability to pay income taxes on what he earned, for it is firmly established that income is taxable to him who earned it, notwithstanding any anticipatory arrangements which may prevent it from vesting even for a moment in the person who earned it.

The resort to the corporate entity as receptacle for the income earned by taxpayer, and which would otherwise admittedly be taxable to him, does not afford an immunity from taxation. Taxpayer, through his wholly owned corporation, retained control and all beneficial interest in the money paid by the producers for his services. What they paid, he in reality received, and on that he must be taxed. This result is in no way altered by the finding that Industries, Ltd., was organized for a business purpose, for it is clear that it performed no business functions whatever in connection with the production of the income in question.

ARGUMENT

The amounts paid to his wholly owned corporation, solely for his personal services, constitute taxable income to the taxpayer

On April 30, 1934, taxpayer, who was a subject of Great Britain, resident and domiciled in England, caused to be organized a wholly owned corporation[1] bearing the name of "Motion Picture and Theatrical Industries, Limited", hereinafter called Industries, Ltd., under the laws of Great Britain. (R. 23, 24.) At that time, taxpayer was already well known as a motion picture actor in the United States. During the year 1932, the taxpayer made five pictures for American film producers in the United States, and on March 29, 1933, he entered into a contract with Paramount Productions, Inc., hereinafter called Paramount, whereby

[1] The Board found, and it is not disputed, that taxpayer was the real beneficial owner of all of the outstanding stock, except qualifying shares. (R. 24.)

he was employed to make two pictures (of which only one was produced) at a salary of $2,500 per week for not less than five weeks for the first production and $2,750 per week for not less than five weeks for the second production. (R. 23, 96.) This contract also granted to Paramount an option on taxpayer's services for the production of one picture in 1934 at a salary of $3,000 per week for not less than five weeks, and on September 15, 1933, Paramount notified taxpayer that it elected to exercise that option. (R. 23.)

Thus, on April 30, 1934, when taxpayer organized Industries, Ltd., he was confronted with the virtually certain prospect of very large earnings from his services as a motion picture actor in the United States, and actually had a contract with Paramount for one picture during that year under which he was to receive $3,000 per week. Nevertheless, on May 4, 1934, taxpayer entered into a contract with his wholly owned corporation whereby he gave it the right to his sole and exclusive services for a period of five years for only £150 or approximately $750 per week. (R. 24.)[2] On the day after execution of the contract with Industries, Ltd., whereby taxpayer was to receive only $750 per week, he sailed for the United States, and *immediately* went to work for Metro-Goldwyn-Mayer under a pending loan agreement, executed shortly thereafter, between Metro-Gold-

[2] This agreement was subject to a prior contract whereby taxpayer was to make three pictures for London Film Productions, Ltd., but taxpayer agreed to assign to Industries, Ltd., any profits and other moneys arising from the contract with London Films, and also his right to 10% of the gross receipts from the picture "The Private Life of Henry VIII", as part consideration for the contract of May 4, 1934. (R. 24–25.)

wyn-Mayer and Industries, Ltd., under which Industries, Ltd., received from Metro-Goldwyn-Mayer $45,333.33 during 1934, and $119,230.76 during 1935. (R. 25–26.) On July 5, 1934, the contract of March 29, 1933, between taxpayer and Paramount, under which Paramount had exercised its option to employ taxpayer at $3,000 per week for one picture during 1934, was cancelled by mutual consent and on the same day Paramount and Industries, Ltd., entered into an agreement for taxpayer's services, pursuant to which Industries, Ltd., received $48,000 in 1934 and $6,000 in 1935. On December 21, 1934, Industries, Ltd., and Twentieth Century Pictures entered into a contract for taxpayer's services, under which Industries, Ltd., received $65,000 in 1935. (R. 26–27.) All contracts between Industries, Ltd., and the motion picture producers were "acknowledged" by the taxpayer in a separate writing, attached to each contract, wherein he obligated himself personally to render the services agreed upon between Industries, Ltd., and the producers. (R. 26.)

In short, during the two taxable years, 1934 and 1935, Industries, Ltd., received, solely for the loan of taxpayer's services, which he had personally guaranteed to perform, the aggregate sum of $283,564.09. In significant contrast, under its contract with taxpayer, executed on May 4, 1934, very shortly before such services were begun, at which time the amounts to be realized from such services could reasonably be anticipated, Industries, Ltd., paid to the taxpayer only $32,811.66 and $22,419.09 for the years 1934 and 1935, respectively. (R. 28.) It is apparent from these facts that the con-

tract between taxpayer and Industries, Ltd., was merely a conduit for the transmission to England of taxpayer's earnings from his personal services in the United States, without paying more than a small portion of the taxes which would admittedly be due had taxpayer's earnings been paid directly to him. We submit that taxpayer's arrangements for the transmission of the fruits of his personal services to his corporate *alter ego* should be ignored, and that he should be taxed on what he earned.

It is true that taxpayer did not personally receive the sums paid for his services. By virtue of the contract of May 4, 1934, whereby he sold his services to his wholly owned corporation for an amount patently inadequate in the light of what those services could assuredly command from American producers, the money was paid directly to Industries, Ltd. But that circumstance does not afford an immunity from taxation. The vital and inescapable fact, which may not be obscured by the contractual arrangements between taxpayer, Industries, Ltd., and the producers, is that the income in question indubitably arose solely from the personal services of the taxpayer, as is conclusively shown by the requirement of all the producers that taxpayer personally guarantee the performance of the services for which Industries, Ltd., had contracted. The principle is well established that payments for personal services are taxable to the one who earned them, despite any "anticipatory arrangements and contracts however skillfully devised to prevent the salary when paid from vesting even for a second in the man who earned it." *Lucas* v. *Earl*, 281 U. S. 111, 115.

A close parallel exists between the situation in the instant case and that which obtained in *Jones* v. *Page,* 102 F. (2d) 144 (C. C. A. 5th), certiorari denied, October 9, 1939. In the *Jones* case, the taxpayer, a famous golfer, had entered into a contract with a motion picture producer to make a series of pictures depicting his form and style in playing golf. The contract provided that he should receive compensation in the sum of $120,000, plus 50 per cent of the net receipts from the distribution and sale of the pictures. Of this sum, $20,000 was paid to him in advance. After that, but before he began making the pictures, taxpayer entered into a contract selling his services to his father for a term of six years at $1,000 per year, and transferred to his father his rights under the existing contract with the motion picture producer. The father then transferred his rights under the contract to himself in trust for taxpayer's minor children. Before the production of the pictures was commenced, the original contract between the taxpayer and the producer was cancelled by mutual consent, and a new contract, substantially identical, was made between taxpayer's father, as trustee, and the producer. Taxpayer himself guaranteed that he would perform the services for which his father had contracted. The services were then duly performed by taxpayer, and payment was made by the producer to the father as trustee. In holding that the amounts so paid for taxpayer's services were taxable to him the court declared (p. 145):

> In conceding that a taxpayer has the right to decrease the amount of his taxes or to avoid them by legal means, in every instance where that is

> attempted, a court may look through the transaction and determine whether it is legal or violates the intent of the statute. It would be absurd to say that any reasonable man having a contract from which he was to receive a minimum of $100,000 would in good faith transfer it to another for merely $6,000. Appellant could have set up the trust in favor of his children without the intervention of his father. The conclusion is inescapable that he used his father simply as a conduit in an attempt to reduce or avoid taxes that would be otherwise assessable against compensation derived from his own personal services. The plan adopted was without legal effect and the taxes complained of were properly assessed against appellant under the provisions of Sections 11, 21 and 22 (a) of the Revenue Acts of 1928 and 1932 * * *.

In the instant case, as in the *Jones* case, the income in question was earned by the personal services of the taxpayer. In both, the motion picture producers required the taxpayers personally to agree to perform the services required, and it may fairly be inferred that in the absence of such personal guaranties they would have insisted on continuing to deal directly with the taxpayers. In each case, the amount for which the taxpayer sold his services was grossly inadequate. It is true that the disparity was not as shocking in the instant situation as in the *Jones* case, yet it may hardly be denied that the present taxpayer would not have sold his services for $750 per week, when he had very good reason to believe he could get about $3,000 per week from American producers, and in fact had a contract to make one picture at that salary, to any one other than his wholly

owned corporation. Finally, in both cases, the effect of the singular arrangements whereby the services were sold for a small fraction of their value, if unchallenged, would have been a corresponding diminution of tax liability.

This case differs from *Jones* v. *Page* in that there the taxpayer sold his services to an individual, his father, whereas in the case at bar taxpayer sold his services to his wholly owned corporation. But we submit that such difference is immaterial. The resort to the corporate form should not afford Laughton the immunity from taxation on his earnings which Jones was held not to have, for the general principle has long been established that the separate juristic entity of a corporation will be disregarded where such action is necessary to prevent the defeat of public or private rights. See *New Colonial Co.* v. *Helvering,* 292 U. S. 435, 442, and authorities there cited. Indeed, the principle that federal income taxes may not be avoided by the utilization of a wholly owned corporation has recently been forcefully affirmed by the Supreme Court. *Griffiths* v. *Helvering,* decided December 18, 1939, not yet officially reported but found in 1940 Prentice-Hall, Vol. 4, par. 62,010; see also *Higgins* v. *Smith,* decided January 8, 1940, not yet officially reported but found in 1940 Prentice-Hall, Vol. 4, par. 62,025.

In *Griffiths* v. *Helvering, supra,* in holding that the employment of a wholly owned corporation as a conduit was ineffective to prevent the taxation of the item of income there involved to the taxpayer, the Supreme Court declared (p. 62,016):

The facts leave little scope for legal explication. Griffiths had a claim for fraud against Lay which, when satisfied, wiped out the loss for which he had received an earlier deduction. Had satisfaction of the claim come to him without any conduit, it would have indisputably been his income. The claim having been recognized by Lay and cast into a form realizable by Griffiths, a lawyer's ingenuity devised a technically elegant arrangement whereby an intricate outward appearance was given to the simple sale from Griffiths to Lay and the passage of money from Lay to Griffiths. That was the crux of the business to Griffiths, and that is the crux of the business to us.

We cannot too often reiterate that "taxation is not so much concerned with the refinements of title as it is with actual command over the property taxed—the actual benefit for which the tax is paid." *Corliss* v. *Bowers,* 281 U. S. 376, 378. And it makes no difference that such "command" may be exercised through specific retention of legal title or the creation of a new equitable but controlled interest, or the maintenance of effective benefit through the interposition of a subservient agency. Cf. *Gregory* v. *Helvering,* 293 U. S. 465. "A given result at the end of a straight path," this Court said in *Minnesota Tea Co.* v. *Helvering,* 302 U. S. 609, 613, "is not made a different result because reached by following a devious path." Legislative words are not inert, and derive vitality from the obvious purposes at which they are aimed, * * *. Taxes cannot be escaped "by anticipatory arrangements and contracts however skillfully devised * * * by which the fruits are attrib-

> uted to a different tree from that on which they grew." *Lucas* v. *Earl*, 281 U. S. 111, 115. What Lay gave Griffiths in reality got, and on that he must be taxed.

Here, as in the *Griffiths* case, had the money come to the taxpayer without any conduit, it would indisputably have been his income. Likewise, it would seem that the crux of the business to Laughton was the passage of money from the motion picture producers to him. It is immaterial, for purposes of taxation, that Laughton exercised control over what was paid for his services by the creation of an equitable but controlled interest rather than by direct legal title. It is assuredly true, to paraphrase the language of the Court in the *Griffiths* case, that what the motion picture producers gave Laughton in reality got, and on that he must be taxed.

That result is in no way altered by the Board's finding that Industries, Ltd., was organized for the business purpose of engaging in production on its own account. (R. 29.) Assuming, without conceding, that Industries, Ltd., was organized for a business purpose, all transactions between it and the taxpayer are not thereby invested with an immunity from judicial scrutiny, nor does such purpose obscure the fact that taxpayer in reality received what the producers in fact paid for his services. In the *Griffiths* case, the taxpayer presumably formed his wholly owned corporation solely for the purpose of having it receive the payment from Lay. But while that circumstance may have illustrated vividly the principle of the case, we submit that it can hardly be regarded as essential to the de-

cision. If Griffiths had transferred his right to recover the purchase price of the stock to a wholly owned corporation organized many years before, and for a perfectly legitimate business purpose, rather than to a wholly owned corporation created especially to receive the payment, the decision would assuredly have been the same. Manifestly, a wholly owned corporation organized for a legitimate purpose, even if operated for such purpose, may be availed of, in a particular instance, as a conduit or subsidiary agency just as readily as a corporation created for that very purpose. Hence, it seems inconceivable that the Supreme Court could have intended to limit the principle applied in the *Griffiths* decision to the situation where the wholly owned corporation was created specifically for the purpose of receiving sums otherwise payable to the taxpayer.

Moreover, our position that the money earned by, and paid exclusively for, the personal services of the taxpayer should be taxed to him, notwithstanding the finding that Industries, Ltd., was organized for a business purpose, is fully supported by the decision of the Circuit Court of Appeals for the Fifth Circuit in *Saenger* v. *Commissioner,* 69 F. (2d) 631, a case squarely in point. There, the corporation was admittedly organized for the legitimate business purpose of taking over and operating a large business formerly operated as a partnership, and it did in fact engage in operating such business. The taxpayer agreed to work exclusively for the corporation, and agreed to account to it for any salary or other compensation he might receive from any

other source. Although the corporation was thus the owner of the taxpayer's services, as in the present case, the compensation was held taxable to the taxpayer who earned it, on the authority of *Lucas* v. *Earl,* 281 U. S. 111.

In the instant case, even assuming that Industries, Ltd., was created for the business purpose of engaging in production on its own account, as found by the Board, it is nevertheless apparent that it did not earn any part of the income in question, nor contribute to it in any way, nor did it serve any business function whatever relating to such income. In this connection, it is significant that, although the Board found that Industries, Ltd., was organized for the purpose of engaging in production, the Board made no finding that Industries, Ltd., was organized for, or in fact performed, any business function in connection with the sales of taxpayer's services to the American producers, which were the sole sources of the income in question. Indeed, the record could not possibly be deemed to warrant such a finding, for it is not shown that Industries, Ltd., was in any degree instrumental in obtaining taxpayer's employment by the producers, through its contacts with them, or otherwise. On the contrary, the record affirmatively reveals that taxpayer had been employed by the American producers in five productions in 1932, and one in 1933 at a salary of $2,500 per week, before Industries, Ltd., even came into existence. Moreover, Paramount had actually exercised its option under the contract between it and taxpayer of March 29, 1933, to employ the taxpayer in one production dur-

ing 1934, at $3,000 per week, before Industries, Ltd., was created, and this contract was subsequently cancelled by mutual consent in order that Paramount and Industries, Ltd., might enter into a similar contract for taxpayer's services.

On the facts of record, the conclusion is inescapable that the taxpayer could have obtained precisely the same employment, and at precisely the same terms, had he continued to deal directly with the producers without employing Industries, Ltd., as an intermediary. The producers were interested solely in obtaining taxpayer's personal services, they required him personally to guarantee the performance of such services as a condition to their contracting with Industries, Ltd., and the money they paid to Industries, Ltd., was paid for taxpayer's services as an actor, and for nothing else. In so far as the income involved in this proceeding was concerned, Industries, Ltd., was nothing more than the agency whereby taxpayer retained full control and beneficial interest in the fruits of his personal services without personally receiving them. Whatever may have been the purpose for which Industries, Ltd., was organized, the arrangement whereby taxpayer sold his services to the producers through Industries, Ltd., as an intermediary was manifestly devoid of business purpose, and the income in question should therefore be treated, for purposes of taxation, as though paid directly to the taxpayer. Cf. *Gregory* v. *Helvering*, 293 U. S. 465; *Minnesota Tea Co.* v. *Helvering*, 302 U. S. 609.

CONCLUSION

The decision of the Board of Tax Appeals should be reversed.

Respectfully submitted.

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FEBRUARY 1940.

APPENDIX

Revenue Act of 1934, c. 277, 48 Stat. 680:

SEC. 211. GROSS INCOME.

(a) GENERAL RULE.—In the case of a nonresident alien individual gross income includes only the gross income from sources within the United States.

* * * * *

(U. S. C., Title 26, Sec. 211.)

SEC. 119. INCOME FROM SOURCES WITHIN UNITED STATES.

(a) GROSS INCOME FROM SOURCES IN UNITED STATES.—The following items of gross income shall be treated as income from sources within the United States:

* * * * *

(3) PERSONAL SERVICES.—Compensation for labor or personal services performed in the United States;

* * * * *

(U. S. C., Title 26, Sec. 119.)

Treasury Regulations 86, promulgated under the revenue Act of 1934:

ART. 119–4. *Compensation for labor or personal services.*—Gross income from sources within the United States includes compensation for labor or personal services performed within the United States regardless of the residence of the payor, of the place in which the contract for services was made, or of the place of payment. If a specific amount is paid for labor or personal services performed in the United States, such amount shall be included in the gross income. If no accurate allocation or segregation of compen-

sation for labor or personal services performed in the United States can be made, or when such labor or service is performed partly within and partly without the United States, the amount to be included in the gross income shall be determined by an apportionment on the time basis, i. e., there shall be included in the gross income an amount which bears the same relation to the total compensation as the number of days of performance of the labor or services within the United States bears to the total number of days of performance of labor or services for which the payment is made. Wages received for services rendered inside the territorial limits of the United States are to be regarded as from sources within the United States. * * *

ART. 211–6. *Gross income of nonresident alien individuals.*—In the case of nonresident alien individuals "gross income" means only the gross income from sources within the United States, determined under the provisions of section 119. (See articles 119–1 to 119–14.) * * *

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No. 9413

IN THE

United States Circuit Court of Appeals

FOR THE NINTH CIRCUIT

COMMISSIONER OF INTERNAL REVENUE,

Petitioner,

vs.

CHARLES LAUGHTON,

Respondent.

BRIEF OF RESPONDENT.

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No. 9413

IN THE

United States Circuit Court of Appeals

FOR THE NINTH CIRCUIT

COMMISSIONER OF INTERNAL REVENUE,

Petitioner,

vs.

CHARLES LAUGHTON,

Respondent.

BRIEF OF RESPONDENT.

Opinion Below.

The opinion of the United States Board of Tax Appeals was promulgated on June 15, 1939, is set forth in the record herein [R. 21-33] and is reported in 40 B. T. A. 101.

Jurisdiction.

In this appeal, petitioner, the Commissioner of Internal Revenue, seeks review of the decision of the United States Board of Tax Appeals entered September 11, 1939 [R. 33-34], pursuant to sections 1141 and 1142 of the Internal Revenue Code. Petition for Review was filed November 28, 1939.

Question Presented.

Whether the separate entity of a corporation organized for and engaged in the business of motion picture production should be disregarded and amounts earned by it as the result of advantageous contracts made with other studios for the loan of the services of a motion picture actor with whom it had a long term exclusive service contract should be considered as taxable to the individual rather than the corporation.

Statement of Case.

Petitioner adopts as his statement of the case in his opening brief the Findings of Fact made by the Board Member [R. 22-29] (Pet. Br. 2-8). Since in his assignment of errors [R. 38-41], his Statement of Points [R. 397-399] and his Statement of Points to be urged, incorporated in his brief (Pet. Br. 8-9), petitioner apparently challenges some of these findings of the Board, respondent here restates the facts in this case, giving in addition to the findings of the Board a summary of the evidence upon which these findings were based.

Based on the Stipulation of Facts entered into by the parties [R. 87], the Board found that the taxpayer, Charles Laughton, is a motion picture actor well known in both Great Britain and the United States. At all times pertinent to this proceeding he was a subject of Great Britain and a resident of and domiciled in England. [R. 23.]

The undisputed testimony of Mr. Alfred Tregear Chenhalls, experience chartered accountant [R. 49], member of the Board of Directors of Motion Picture and

Theatrical Industries, Ltd., since 1936 [R. 58] and personal friend and financial adviser of Mr. Laughton since before 1933 [R. 49, 67] discloses that Mr. Laughton's successes in light of the tax years here in question, namely, 1934 and 1935 were very recent, it being only in 1932 that he made his first film from which he derived money. [R. 49.]

Also from the testimony of Mr. Chenhalls [R. 77], the Board found that on May 4, 1932, the taxpayer executed a five-year contract with Frank Joyce-Myron Selznick, Ltd., which authorized them to act as his manager and personal representative. [R. 23.] Based on the Stipulation of Facts [R. 87], it was found that during 1932, Mr. Laughton came to the United States and was engaged in making four pictures for the Paramount-Publix Corporation, predecessor of Paramount Productions, Inc. He also made one picture for the Universal Pictures Corporation during 1932 under a loan of his services by Paramount-Publix to Universal. [R. 23.]

Again following the stipulation [R. 87-88] the Member found that on March 29, 1933, Mr. Laughton entered into a contract with Paramount Productions, Inc., hereinafter referred to as Paramount, under the terms of which one picture, "WHITE WOMAN," was produced in that year. Paragraph Twelfth of said contract provided in part as follows:

> "The Artist hereby grants to the Corporation an option upon the Artist's exclusive services in one (1) motion picture photoplay to be produced between April 15, 1934, and September 15, 1934, at the salary and at the rate of Three Thousand ($3,000.00) Dollars per week for not less than five (5) weeks for his services in such production."

Under date of September 15, 1933, Paramount notified respondent that it elected to exercise the foregoing option. [R. 23.]

Further substantially in the language of the Stipulation [R. 89] it was found that after completing the picture "WHITE WOMAN" respondent returned to England, and on April 30, 1934, a corporation bearing the name of "Motion Picture and Theatrical Industries, Limited," hereinafter referred to as Industries, Ltd., was organized under and by virtue of the laws of Great Britain, and specifically under the English Companies' Act of 1929. As set forth in its memorandum of association, the objects for which the company was established were to engage in the motion picture and theatrical businesses or any business incidental or related thereto. The principal place of business of Industries, Ltd., has been at all times since its formation and now is London, England. [R. 24.]

From the testimony of Mr. Chenhalls [R. 63, 64] the Board found that during the taxable years Industries, Ltd., was managed by a board of directors composed of business men. Mr. Laughton was not a member of the board of directors nor was he an officer of the company although he was the real beneficial owner of all its outstanding stock except qualifying shares for which he paid into the company £6000 or approximately $30,000.00. [R. 24.] Amplifying this finding of the Board from testimony of Mr. Chenhalls, it appears that the directors were not only allowed a free hand in running the corporation but that they never asked Mr. Laughton's permission; they were business men just as he was an actor. [R. 64.]

Returning again to the stipulation as a basis for its findings [R. 89], the Board states that on May 4, 1934, Mr. Laughton and Industries, Ltd., executed a contract

in London whereby in return for the payment of £150 or approximately $750.00 per week for the next five years thereafter, together with the payment of certain other expenses, Mr. Laughton agreed to give his sole and exclusive services to Industries, Ltd., subject always to the primary obligations of a contract entered into February 26, 1934, and then existing between him and London Film Productions, Ltd., whereby he was to make three pictures for the latter company. [R. 24, 25.]

Based on the copy of the contract entered into between Mr. Laughton and Industries, Ltd., which was attached to the Stipulation of Facts as Exhibit D, the Board found that respondent agreed to assign the profits and any moneys arising from the latter agreement and his right to ten per cent of the gross royalties from the photoplay "THE PRIVATE LIFE OF HENRY VIII" to Industries, Ltd., as part of the consideration for the contract of May 4, 1934. [R. 114.] Industries, Ltd., agreed to assume the obligation of respondent under his contract of May 4, 1932, with Frank Joyce-Myron Selznick, Ltd. [R. 117.] Paragraph 15 of respondent's agreement with Industries, Ltd., provided as follows:

> "15. Nothing in this agreement shall be contrary to the proposition that from time to time it is contemplated that the Employer itself will be engaging in motion picture or theatrical activities in the British Isles in connection with which it shall employ the Employee and in no case will it engage in any motion picture or theatrical activities in which there shall be a male principal part without employing the Employee in the enactment thereof unless the Employee expressly and in writing shall assent to the Employer in any such activities employing some other actor." [R. 115, R. 25.]

Pursuant to oral stipulation in open Court [R. 79] the Board found that on May 5, 1934, Mr. Laughton sailed for the United States. On May 14th he reached Los Angeles and commenced work as an actor in "THE BARRETTS OF WIMPOLE STREET" for Metro-Goldwyn-Mayer under a pending loan agreement which was finally executed between Metro-Goldwyn-Mayer and Industries, Ltd., on July 6, 1934. [R. 25, 26, 79, 92.] The agreement became effective as of May 14, 1934, provided for Mr. Laughton's appearance in "THE BARRETTS OF WIMPOLE STREET" and "MARIE ANTOINETTE" and permitted him to appear in one photoplay for Paramount. [R. 26, 145, *et seq.*] From the written stipulation [R. 91], the Board found that on July 5, 1934, the contract of March 29, 1933, between Mr. Laughton and Paramount was cancelled by mutual consent and on the same day Industries, Ltd., entered into an agreement with Paramount relative to the services of Mr. Laughton. This contract and the contract of Industries, Ltd., with Metro-Goldwyn-Mayer were both acknowledged by Mr. Laughton in a separate writing attached to each contract wherein he obligated himself individually to render the services agreed upon by the studios and Industries, Ltd. [R. 26, 144, 145, 169 to 172.] Subsequent contracts and modifications of existing contracts for the loan of Laughton's services by Industries, Ltd., were likewise acknowledged by respondent. [R. 26.] Based on the stipulation [R. 93] and testimony of Mr. Chenhalls, the Board found that under the loan agreement with Paramount, Mr. Laughton performed in "RUGGLES OF RED GAP" and Paramount paid Industries, Ltd., for such services the sum of $48,000.00 in 1934 and $6,000.00 in 1935. [R. 26, 93.] On December 21, 1934, Industries, Ltd., contracted for the loan of

Laughton's services to Twentieth Century Pictures, Inc. During 1935 Industries, Ltd., received $65,000.00 from Twentieth Century Pictures, Inc., for the services rendered the latter company by respondent. [R. 27, 93.]

Based upon the stipulation [R. 94] it was found that each of the three studios aforementioned deducted and withheld from the amounts that were paid to Industries, Ltd., the sums prescribed as income tax to be withheld at the source under the provisions of section 144, Revenue Act of 1934. The sums so deducted were paid to the Collector of Internal Revenue by the studios in the amounts and for the years as follows:

	1934	1935
Metro-Goldwyn-Mayer	$6,233.33	$16,394.24
Paramount Productions, Inc.	6,600.00	825.00
Twentieth Century Pictures, Inc.	–	8,937.50
Total	$12,833.33	$26,156.74

From the exhibits offered by the respondent (petitioner below) and admitted by the Board numbered 4 to 6, inclusive [R. 263-284], it was found that Industries, Ltd., filed its federal corporation income and excess profits tax returns for 1934 and 1935 showing net income of $46,255.60 and $143,618.53 for 1934 and 1935, respectively. As to each year the return shows that the income tax due was less than the amount withheld by the studios. The overpayment shown on each return amounted to $6,473.18 for 1934 and $6,409.19 for 1935. [R. 27.] Again from the exhibits admitted into evidence numbered 7 to 11, inclusive [R. 285-293], the Board found that Industries, Ltd., filed capital stock tax returns for the fiscal years ended June 30, 1934, 1935 and 1936 and claimed exemp-

tion from payment of the capital stock tax. It appears from the affidavit attached to said capital stock tax returns that the ground upon which exemption was claimed from capital stock tax was that Industries, Ltd., was not doing business in the United States. [R. 287.] As the claimed exemption was denied, Industries, Ltd., paid a capital stock tax for each of the years. [R. 27, 28.]

Respondent's Exhibits 1 to 3, inclusive [R. 238-261], form the basis for the finding that respondent reported the salary he received from Industries, Ltd., for the taxable years 1934 and 1935 amounting to $32,811.66 and $22,419.09, respectively, and paid the income tax due thereon to the federal government and paid an income tax to the State of California for the year 1935. [R. 28.]

Respondent's Exhibits 9, 10 and 11 [R. 294-300], form the basis for the finding that Industries, Ltd., filed claims for refund for the amount of tax withheld by the studios over and above the amount shown as due on its income tax returns for 1934 and 1935. Additional claims for refund were filed by Industries, Ltd., for the refund of all the corporation's income tax withheld from it and paid to the collector by the studios in order to protect the corporation's interest in the event that this proceeding should result in the taxation of income to respondent. [R. 28.] Claims for refund were also filed for the capital stock tax paid for the fiscal years. [R. 303-308.] Claims for refund of the capital stock tax paid show that such claims were made for the reason that the Commissioner of Internal Revenue was proposing to assess income tax against respondent here disregarding the corporate entity. Such claims were, therefore, merely protective claims filed after the commencement of this proceeding. [R. 304, 306, 308.] Subsequent to the taxable years and in 1937, the

Bureau of Internal Revenue denied the claims for refund as to capital stock tax. The letter of the Commissioner denying these claims and on which the Board's finding to the above effect was based is set forth in the record in full. [R. 309-311.]

Reverting again to the testimony of Mr. Chenhalls, it was found that during the first year of its existence, May 1, 1934, to April 30, 1935, Industries, Ltd., loaned respondent $22,520.00 and during the second year it made additional loans to respondent amounting to $78,625.00. [R. 28, 74.] The loans in the first year were made because of the extra expenses occasioned to Mr. Laughton of maintaining living quarters in Hollywood and London simultaneously. [R. 28, 29, 74.] The loans made in the second year were nearly all spent in the purchase of a leasehold in London and a valuable painting. [R. 29, 74.] These loans were amply secured by the assignment of life insurance policies on Mr. Laughton's life amounting to $100,000.00 and by the leasehold. [R. 29, 74, 75.]

From the testimony of Mr. Chenhalls [R. 51, 52], from the minutes of the meetings of the directors of Industries, Ltd. [R. 316 to 373], the Board Member made his finding to the effect that Industries, Ltd., was organized for a business purpose. During the taxable years the company began gathering material and preparing for future production. In December, 1935, it acquired an option on a play called "THE FIRST GENTLEMAN." It did not begin production of pictures in the taxable years on account of lack of funds. Subsequent to the taxable years and after the company had accumulated sufficient capital, it actively engaged in production, either on its own account or through a subsidiary company. [R. 29.]

Summary of Argument.

1. The authorities upon which petitioner relies in support of his contentions are all cases in which there was a finding or conclusion that the diversion of income from the individual taxpayer to the corporate or other tax paying entity came about as a tax avoidance scheme or plan. Such authorities are inapplicable to the case at bar.

2. In an attempt to bring the case at bar within the cases cited by him, petitioner in support of his contentions has interpreted the facts in this case in a manner unwarranted both from the findings of fact of the Board of Tax Appeals and the evidence upon which such findings are based.

3. The contention of petitioner that the corporate entity of Industries, Ltd., should be disregarded and the income realized by it declared taxable to Mr. Laughton is contrary to the law as established by the Supreme Court and followed in the lower Courts.

ARGUMENT.

1. The Authorities Upon Which Petitioner Relies in Support of His Contentions Are All Cases in Which There Was a Finding or Conclusion That the Diversion of Income From the Individual Taxpayer to the Corporate or Other Tax Paying Entity Came About as a Tax Avoidance Scheme or Plan. Such Authorities Are Inapplicable to the Case at Bar.

From petitioner's citation on page 16 of his brief of the leading case of *New Colonial Ice Co. v. Helvering,* 292 U. S. 435, 54 S. Ct. 208, 78 L. Ed. 138, it appears that petitioner and respondent are in agreement upon the fundamental principle of law to the effect that the entity of a corporation as separate and distinct from its stockholders may—"be disregarded only in exceptional situations where it otherwise would present an obstacle to the protection or enforcement of public or private rights." 292 U. S. 435, 442. This rule has also been stated as follows:

> "However when courts of equity have invoked this principle (disregard of corporate entity) they have done so in general to prevent the use of the corporation by individuals or another corporation or corporations to perpetrate a fraud or to do injustice." (Matter in parentheses added.)
>
> *Dwyer v. Commissioner,* 18 B. T. A. 349, 352.

The following cases upon which petitioner largely relies in his brief in support of his contentions are not cases in which the above stated rule has been abrogated but rather are they cases in which that exceptional situation calling for the disregard of the corporate entity was present in

the facts appearing of record. In *Griffiths v. Helvering* (1940 Prentice-Hall, par. 62,010), cited on page 16 of petitioner's brief, the following facts appeared. In 1926 Griffiths paid one Lay $100,000.00 for some stock. The investment was unprofitable and Griffiths claimed and was allowed a deductible loss in his income tax return for the year 1931 of $92,500.00 resulting from a sale of the stock in that year to a wholly owned corporation. Thereafter in 1932 Griffiths realized that he had been defrauded by Lay in the 1926 purchase. Negotiations were begun for a settlement of his claim against Lay and by January, 1933, Griffiths' lawyer had arranged a settlement whereby Griffiths was to reacquire the shares from his wholly owned corporation to which he had sold them in 1921 and to convey them to another wholly owned corporation newly created for the purpose of furthering the scheme, which second wholly owned corporation, in turn, was to transfer the stock back to Lay for $100,000.00 to be paid by him. That sum was to be paid over by the corporation to Griffiths in annual installments for forty years with interest on the deferred payments. The scheme was carried out and the Court holds that the corporate entity of Griffiths' corporation should be disregarded and the sum received from Lay should be taxed to Griffiths as income, since prior to that time and for the year 1931 the Commissioner had allowed Griffiths a loss on the sale of the stock. In deciding the case the Court states:

> "A claim having been recognized by Lay and cast into a form realizable by Griffiths, a lawyer's ingenuity devised a technically elegant arrangement

> whereby an intricate outward appearance was given to the simple sale from Griffiths to Lay and the passage of money from Lay to Griffiths."

It is submitted that the case of *Griffiths v. Helvering, supra,* does not constitute authority in favor of the petitioner. The Court in that case from the facts of record there found that the diversion of income was the result of a tax avoidance scheme. It appeared nowhere in the facts that Griffiths' newly formed corporation had any purpose other than to receive the payments from Lay on the fraud claim which Griffiths had against Lay. It had no business purpose. It was only a shell conceived for a single purpose of deflecting income from Griffiths and to cause the latter to have a nominal income for the next forty years.

In contrast, in the case at bar the Board has found that Industries, Ltd., the motion picture production corporation organized by Mr. Laughton on April 30, 1934, was organized for a business purpose. During the taxable years the company began gathering material and preparing for future production. In December, 1935, it acquired an option on a play called "THE FIRST GENTLEMAN." It did not begin production of pictures in the taxable years on account of lack of funds. Subsequent to the taxable years and after the company had accumulated sufficient capital, it actively engaged in production either on its own account or through a subsidiary company. [R. 29.] This is a finding of fact of the Board of Tax Appeals from the evidence which was before it. Being a finding of fact

which the Board had power to make, it cannot now be challenged in this Court unless this Court in its investigation of the record determines that such finding is unsupported by any substantial evidence.

Palmer v. Commissioner, 302 U. S. 63, 58 Sup. Ct. 67, 82 L. Ed. 50 (1937);

Beech v. Commissioner, 82 Fed. (2d) 42 (C. C. A. 3d, 1936);

Commissioner v. DeMille Productions, 90 Fed. (2d) 12 (C. C. A. 9th, 1937);

Doernbecher Mfg. Co. v. Commissioner, 80 Fed. (2d) 573 (C. C. A. 9th, 1935);

Olympia Harbor Lumber Co. v. Commissioner, 79 Fed. (2d) 394 (C. C. A. 9th, 1935).

Petitioner has not attempted to argue that this finding is unsupported by the evidence, probably because the record is replete with uncontradicted testimony and documentary evidence supporting such finding. For instance, the testimony of Mr. Chenhalls [R. 50, 51], with regard to the formation of Industries, Ltd., is as follows:

> "Mr. Laughton used to talk to me about it continually * * * and he told me it was his theory that as an actor he would die poor. He had a Gerald DuMaurier in mind who died poor and he said that he was determined while he was on the crest of the wave to safeguard his resources, that he would engage the services of the finest writers in New York and technicians and cameramen and form a renaissance of the British film industry. It was a matter of common knowledge that the industry in England was at a low ebb. A few years later it crashed. All this he told me countless times. He figured that if

> anything went wrong with him, if he had any adverse experiences in an action at law or in case of fire or anything like that, everything could be taken. It is the normal course in England to form a corporation. He did it for that purpose. He had no idea of evading American taxes or English taxes. These discussions took place before, continually, for over two years before the organization of the corporation."

Petitioner in his brief (page 14) asserts—"that a close parallel between the situation in the instant case and that which obtained in *Jones v. Page,* 102 Fed. (2d) 144 (C. C. A. 5th) exists." It is submitted that an analysis of the facts in the above case shows that such a parallel does not exist. It appears from the findings of the District Court (22 A. F. T. R. 1287, 1938 Prentice-Hall, Par. 5.236) as follows: Prior to the contracting of his services to his father, Jones had entered into the contract from which the income in question was derived. After receiving the initial payment of $20,000.00 on his contract with Warner Brothers and actually commencing upon the enactment of the first picture, the Court finds as a fact that:

> "* * * plaintiff not having thought of the matter before, became aware that a substantial federal income tax burden would be imposed upon the earnings from his personal services under this contract. To avoid such a burden, plaintiff consulted tax counsel * * *."

Subsequently, after some negotiations between tax counsel and plaintiff's father, a contract was entered into whereby plaintiff agreed to perform for his father the identical services which he had already previously ex-

clusively agreed to perform and was in the midst of performing for Warner Brothers and gave his father authorization on his behalf to cancel any contracts then outstanding in his name. The original Warner Brothers contract was thereupon cancelled and a new contract was made with plaintiff's father as a party thereto. After receiving the proceeds derived from such contracts, plaintiff's father paid them into trust funds for the children of plaintiff and did not retain any of them. Thus it appears that with such a record before it, the Circuit Court in the *Jones* case was confronted with a clear scheme to avoid tax and the Circuit Court was correct in applying the rule of disregard of contractual arrangements in this exceptional situation.

Not only is the *Jones* case distinguishable, therefore, from the case at bar on the theory that the facts therein indicate a tax avoidance scheme or plan, a fact which was expressly negatived by the evidence in the case at bar [R. 51, 68] but also under the facts existing in the *Jones* case the income would be taxable to plaintiff Jones on another ground since under the purported trusts the money was to be used to fulfill Jones' own obligation, that of education, maintenance and support of his minor children. *Cf. Douglas v. Willcuts*, 296 U. S. 11, 56 Sup. Ct. 59, 80 L. Ed. 1 (1935). It is significant that at no time did Jones' father assert any beneficial interest to the income in question in that case. In the case at bar on the other hand, Industries, Ltd., has at all times not only received but asserted its beneficial interest in all sums received by it from its contracts from American producers. Furthermore, it was a business corporation with a business purpose in which said funds were employed and used for business expenditures.

As one feature of the parallelism between the *Jones* case and the case at bar, petitioner asserts that—"In each case the amount for which taxpayer sold his services was grossly inadequate." (Pet. Br. p. 15.) Respondent agrees with petitioner that the sum for which Jones sold his services to his father was grossly inadequate. In the words of the Circuit Court—"It would be absurd to say that any reasonable man having a contract from which he was to receive a minimum of $100,000 would in good faith transfer it to another for merely $6,000." However, in the instant case respondent cannot agree with petitioner that the sum for which Mr. Laughton agreed to render his services exclusively to Industries, Ltd., for a period of five years was grossly inadequate. As the basis for his conclusion, petitioner asserts that Mr. Laughton had very good reason to believe he could get about $3,000.00 per week from American producers and, in fact, had a contract to make one picture at that salary. It must be remembered that the salary of $3,000.00 per week which he might have obtained from American producers was to be paid only during the weeks in which he was employed by the producers. On the other hand the obligation of Industries, Ltd., to pay Mr. Laughton $750.00 per week was a continuing one to be paid week in and week out whether or not he was working either under loan agreements or directly for Industries, Ltd., and had to be paid for a period of five years.

In contrast with the fact that Mr. Jones, knowing that he would receive not less than $100,000, sold his services to his father for $6,000.00, are the facts shown in the case at bar wherein Mr. Laughton entered into an exclusive contract with Industries, Ltd., under the terms of which it was provided that there should be paid to him

over a period of five years at least the total sum of $195,-000.00. Also despite the assertion of petitioner that his services could assuredly command large sums of money from American producers, there was in fact no such assurance when respondent and Industries, Ltd., executed the exclusive service contract during the year 1934. True it was contemplated that Mr. Laughton should come to America to render services for an American studio under a loan thereof from Industries, Ltd., at the probable rate of $3,000 per week to be paid to Industries, Ltd. However, had this one picture which was contemplated when Mr. Laughton left England been a failure, Industries, Ltd., would no doubt have been unable to obtain any more advantageous loan agreements with other American studios. The record shows that the loan contract with Twentieth Century Fox was entered into in December, 1934. Doubtless if the "BARRETTS OF WIMPOLE STREET" had happened to be a poor rather than a good picture this contract could not have been negotiated by Industries, Ltd. It is submitted, therefore, that neither on the facts nor on the law is *Jones v. Page, supra,* an authority upholding petitioner's contentions in the case at bar.

Petitioner next asserts (Pet. Br. p. 19) that the case of *Saenger v. Commissioner,* 69 Fed. (2d) 631, C. C. A. 5th (1934), is a case squarely in point to the effect that money earned and paid exclusively for the personal services of the taxpayer should be taxed to him notwithstanding the finding that Industries, Ltd., was organized for a business purpose. To this respondent replies that petitioner in order to find this case applicable must neces-

sarily misconceive the facts or the legal principle applicable in the case at bar. The *Saenger* case was a clear case in which a corporation awarded extra compensation to the taxpayer Saenger which he in turn assigned to another corporation. The fact that his assignment was made prior to the award of the compensation would not relieve taxpayer Saenger of the tax upon the compensation awarded to him because of the fact that it must necessarily have come to him in payment for services before the assignment by him could become operative. The *Saenger* case is clearly a case in which the rule of the United States Supreme Court in *Lucas v. Earl,* 281 U. S. 111, 50 Sup. Ct. 241, 74 L. Ed. 731 (1930), is applicable and, in fact, was decided on the authority of that case. In the case at bar, however, as it is stated by the Board Member in his opinion below—"There was no assignment of future earnings or future income such as existed in *Lucas v. Earl,* 281 U. S. 111, and there is here no occasion to apply the doctrine of that case." In the case at bar the consideration received by Industries, Ltd., for the loan of respondent's services was at no time due to be paid to respondent. In fact, the situation was, as the Board Member recognized, the common one in which one motion picture studio having no present vehicle or use for its contract player, loans the services of that player to another studio and receives the consideration for such loan, meanwhile continuing payments of salary under its original contract to the player. It is believed that there is no justification in petitioner's attempt to tax these payments to Mr. Laughton as income merely because of the stock ownership of this corporation when it has been proved and found that the corporation was a motion picture production corporation with business purposes just like any other studio.

2. **In An Attempt to Bring the Case at Bar Within the Cases Cited by Him Petitioner in Support of His Contentions Has Interpreted the Facts in This Case in a Manner Unwarranted Both From the Findings of Fact of the Board of Tax Appeals and the Evidence Upon Which Such Findings Are Based.**

Petitioner in his brief makes the following conclusion (Pet. Br. p. 20):

> "In the instant case even assuming that Industries, Ltd., was created for the business purpose of engaging in production on its own account as found by the Board, it is nevertheless apparent that it did not earn any part of the income in question nor contributed to it in any way nor did it serve any business function whatever relating to such income. In this connection it is significant that although the Board found that Industries, Ltd., was organized for the purpose of engaging in production, the Board made no finding that Industries, Ltd., was organized for or in fact performed any business function in connection with the sale of taxpayer's services to the American producers * * *."

In this conclusion petitioner apparently overlooked the facts found by the Board to the effect that all of the loan contracts were negotiated by Industries, Ltd., and the American Studios. [R. 26, 27.] Also petitioner apparently overlooked the evidence presented by the record which shows that all of these contracts were negotiated by the attorney-in-fact for Industries, Ltd., and to whom Industries, Ltd., paid the sum of $8,000.00 for his services

in carrying on the actual negotiations in the drafting of the loan contracts. [R. 74, 95.] Furthermore, the stipulation of facts shows that the attorney-in-fact for Industries, Ltd., was not the attorney for respondent until February 19, 1935, at which time all of the contracts for the services of respondent had been entered into.

It is peculiar that petitioner should make the above quoted assertion in this proceeding when in the past he has taken a diametrically opposite position with regard to Industries, Ltd. As is shown by the record, Industries, Ltd., filed protective claims for refund for capital stock tax paid by it for the fiscal years ended June 30, 1934, 1935 and 1936. [R. 28.] The ground stated for the refund of such capital stock tax on the claims filed was that since petitioner was asserting that liability for the sums paid to Industries, Ltd., by the American studios constituted the income of Mr. Laughton personally, rather than of Industries, Ltd., Industries, Ltd., therefore could not be said to be doing business within the meaning of the capital Stock Tax Act. In denying the claims for refund of capital stock tax, petitioner himself makes the following statement [R. 310, 311]:

> "The evidence of record discloses that the corporation was organized under the laws of Great Britain on April 30, 1934. Under date of May 4, 1934, Mr. Charles Laughton entered into a contract with Motion Picture and Theatrical Industries, Ltd., under which that company was to have the exclusive right to sublicense and loan his services for a period of five years at a stipulated weekly salary. Under the terms of this

agreement the corporation is entitled to all of Mr. Laughton's earnings after the date of the contract. Thereafter the corporation entered into contracts with certain American companies for the services of Mr. Laughton and collected the amounts payable thereunder. It also paid the stipulated salary of Mr. Laughton, agent's commission on the basis of 10 per cent of the gross income, and other miscellaneous expenses. In the year 1934 the gross income under the various contracts from sources within the United States amounted to $93,333.33, and in 1935 it amounted to $238,370.18. The corporation also maintained an agent in California for the purpose of conducting its United States business.

"The capital stock tax is an excise tax imposed upon foreign corporations with respect to carrying on or doing business within the United States. The tax is imposed upon the exercise of the privilege of doing business in a corporate form. Ordinarily the same activities which would subject a domestic corporation to the tax will also subject a foreign corporation to the tax.

"The activities referred to above clearly constitute carrying on or doing business within the United States during the years ended June 30, 1934, June 30, 1935, and June 30, 1936 * * *."

How petitioner can assert that Industries, Ltd., was not engaged in business for income tax purposes but miraculously clothes that corporation with an entity which

was doing business in the United States in corporate form for capital stock tax purposes is difficult to see.

Petitioner in his brief on page 21 goes on to state:

> "On the facts of record, the conclusion is inescapable that the taxpayer could have obtained precisely the same employment and at precisely the same terms had he continued to deal directly with the producers without employing Industries, Ltd., as an intermediary."

In the first place this statement makes an unwarranted assumption to the effect that the taxpayer did employ Industries, Ltd., as an intermediary. The evidence in this proceeding is completely contrary to the above assumption. The facts show that for over two years respondent had in mind going into the production end of the motion picture business. [R. 51, 52.] When Industries, Ltd., was finally formed and it appeared to the business men who were the directors of it that production could not be undertaken with the then existing capital condition of the corporation, it was necessary in order to preserve what asset the corporation did own in the exclusive service contract with Mr. Laughton, to keep his name and face before the public. This view of the facts was the one taken by the Board Member in his opinion. [R. 31.] On the other hand, there is no evidence upon which the assumption can be based that petitioner employed Industries, Ltd., as an intermediary. Petitioner goes on to state that:

> "In so far as the income involved in this proceeding was concerned, Industries, Ltd., was nothing more than the agency whereby taxpayer retained full

control and beneficial interest in the fruits of his personal services without receiving them."

Here again the evidence disclosed in the record is contrary to the conclusion made by petitioner. It was shown that Industries, Ltd., had as its board of directors business men who did not even consult Mr. Laughton with regard to company policy. Presumably the accrual of the income here involved to the corporation of which Mr. Laughton owned all the stock might increase the value of that stock. However, such fact does not give a foundation for stating that Mr. Laughton retained the beneficial interest in the fruits of his personal services since until he sold that stock and realized the increment thereto from the advantageous loan agreements made by the company, he himself realized beneficially no part of the earnings of the corporation. *Cf. Eisner v. Macomber,* 252 U. S. 189, 40 Sup. Ct. 189, 64 L. Ed. 521. One of the directors of the corporation has testified that because of its interest in improving its capital position, the corporation did not declare any dividends to Mr. Laughton. Once the capital position of the corporation was sufficiently large, production was commenced in conjunction with a subsidiary unit. [R. 29.] It engaged in the business purpose for which it was organized.

It is submitted, therefore, that the conclusions made by petitioner with regard to the facts in the case at bar are completely unwarranted and that the facts as they exist in the record before this Court do not merit disregard of the corporate entity of Industries, Ltd.

3. The Contention of Petitioner That the Corporate Entity of Industries, Ltd., Should be Disregarded and the Income Realized by It Declared Taxable to Mr. Laughton Is Contrary to the Law as Established by the Supreme Court and Followed in the Lower Courts.

As it was pointed out above, the case of *New Colonial Ice Co. v. Helvering,* decided by the United States Supreme Court, 292 U. S. 435, 54 Sup. Ct., 208, 78 L. Ed. 1348, is the leading authority in which the treatment of a corporate entity in the matter of federal taxation is discussed. The rule established in this case to the effect that the corporate entity may be disregarded only in exceptional situations has been followed in the following cases:

Burnet v. Commonwealth Improvement Co., 287 U. S. 415, 53 S. Ct. 198, 77 L. Ed. 399 (1932);

Burnet v. Clark, 287 U. S. 410, 53 S. Ct. 207, 77 L. Ed. 397 (1932);

Dalton v. Bowers, 287 U. S. 404, 53 S. Ct. 205, 77 L. Ed. 389 (1932);

Jones v. Helvering, 71 Fed. (2d) 214 (C. A. D. C. 1934);

Ford Motor Co. v. United States, 9 Fed. Supp. 590 (Ct. Cl. 1935);

Hunt v. Commissioner, 5 B. T. A. 356;

Consumers Construction Co. et al. v. Commissioner, 35 B. T. A. 966 (1937).

Furthermore, the rule stated above is not altered by the fact that one stockholder owns all the stock of the corporation where there is no evidence of fraud.

Wagner v. Lucas, 38 Fed. (2d) 391 (C. A. D. C. 1930);

Broadway Strand Theatre Co. v. Commissioner, 12 B. T. A. 1052 (1928);

International Building Co. v. Commissioner, 21 B. T. A. 617 (1930);

Greenwood v. Commissioner, 1 B. T. A. 291 (1925);

Fontaine Fox v. Commissioner, 37 B. T. A. 271 (1938).

This latter case, *Fontaine Fox v. Commissioner,* closely parallels the case at bar. What variation there does exist in the facts of these two cases, namely *Fontaine Fox v. Commissioner,* and the case at bar, indicates the more clearly the fact that the corporate entity of Industries, Ltd., should not be disregarded.

It appeared in the *Fox* case that Reynard Corporation which Mr. Fox organized, had no purpose other than to exploit the cartoons of Mr. Fox and the evidence showed that it engaged in no other business. In contrast, the corporation which respondent organized, was formed for a purpose other than to avail itself of the services of Mr. Laughton. It was to be and in fact was a corporation with a comprehensive business purpose in which it engaged, which it legitimately contemplated. Petitioner, however, did not see fit to appeal from the decision of the Board of Tax Appeals in favor of Mr. Fox, a fact which would indicate that he was satisfied that the Board of Tax Appeals had correctly interpreted the law.

Conclusion.

For the reason, therefore, that the cases relied upon by petitioner do not stand for legal propositions which support his contentions unless there be drawn inferences and conclusions from the facts of record in the case at bar which are completely unwarranted and for the most part expressly negatived by the evidence, by the findings of the Board and even by the conclusions of petitioner himself respecting denial of refund claims, and for the reason that the authorities herein analyzed and cited support the contentions of respondent herein, it is respectfully submitted that the decision of the Board of Tax Appeals should be affirmed.

Respectfully submitted,

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